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ABSTRACT

Corporate codes of conduct prohibiting the use of child labor are becoming more common as consumers are increasingly calling upon companies to take responsibility for the conditions under which the goods they sell are manufactured. This report (the third volume in the Bureau of International Labor Affairs' international child labor series) details an investigation of the use of child labor in the production of apparel for the U.S. market and the extent to which U.S. apparel importers have established and are using guidelines prohibiting the use of child labor. Results of a voluntary survey of 48 companies revealed that: (1) a majority have such a policy, although they have different forms and standards; (2) that the transparency, or education and awareness, of the codes among foreign contractors was not emphasized; (3) that most of the codes make no provision for implementation or monitoring; and (4) that most companies claimed they would enforce their codes, although they report having rare occasion to do so. Site visits by Department of Labor officials to six foreign countries confirmed the bulk of these results. Overall, codes of conduct, properly monitored and enforced, appeared to be a positive factor in solving the global child labor problem. Six appendices comprising over half of the report contain: (1) a list of companies surveyed; (2) the questionnaire; (3) the surveyed companies' codes of conduct; (4) site visit locations and contacts; (5) U.S. apparel imports, by region and country, 1985-1995; and (6) the International Labor Organization C138 Minimun Age Convention, 1973.

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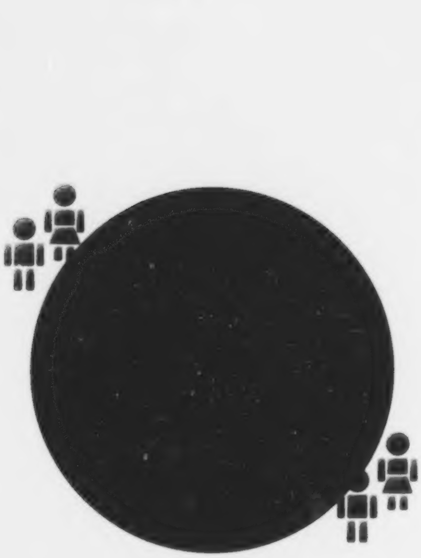

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EXECUTIVE SUMMARY

A. Congressional Mandate

This report is the third volume in ILAB's international child labor series. It focuses on the use of child labor in the production of apparel for the U.S. market, and reviews the extent to which U.S. apparel importers have established and are implementing codes of conduct or other business guidelines prohibiting the use of child labor in the production of the clothing they sell. The report was mandated by the Omnibus Consolidated Rescissions and Appropriations Act of 1996, P.L. 104-134.

B. Overview

A recent development, corporate codes of conduct and other business guidelines prohibiting the use of child labor are becoming more common, as consumers as well as religious, labor and human rights groups are increasingly calling upon companies to take responsibility for the conditions under which the goods they sell are being manufactured. Many U.S. companies that import apparel have adopted codes of conduct that prohibit the use of child labor and promote other labor standards. For purposes of this report, the term "codes of conduct" is used generically to refer to various types of corporate policies and standards on child labor and other working conditions. These instruments take different forms — codes of conduct, statements of company policy in the form of letters to suppliers, provisions in purchase orders or letters of credit, and/or compliance certificates.

1. Child Labor in the Apparel Sector

The term "child labor" generally refers to any economic activity performed by a person under the age of 15. Not all work performed by children is detrimental or exploitative. Child labor does not usually refer to "light work" after school or legitimate apprenticeship opportunities for young people. Nor does it refer to young people helping out in the family business or on the family farm. Rather, the "child labor" of concern is generally employment that prevents effective school attendance, and which is often performed under conditions hazardous to the physical and mental health of the child.

There are no reliable statistics on the rate of child employment in any particular economic activity, including the apparel sector. Most information on child labor in the garment industry comes from eyewitness accounts, studies by nongovernmental organizations (NGOs) and academicians, reports by journalists, and studies by the International Labor Organization (ILO).

Anecdotal information gathered during the preparation of this report indicates that in some of the countries examined, fewer children may currently be working on garment exports for the U.S. market than two years ago. A dramatic example involves Bangladesh, where large numbers of children worked in garment factories as recently as 1994. International media attention and threats of boycotts and cancelled work orders led to the dismissal of thousands of child workers from the garment sector — unfortunately with no safety net in place for them. Thus, it is possible that in the absence of government programs to assist the children, the precipitous dismissal of child workers can endanger, rather than protect them. More research is needed so that governments, industry, international organizations, and others concerned with the welfare of children are better equipped to design appropriate programs. It is clear, however, that local and national commitments to universal and free education for children are immediate and positive steps which can and should be taken.

One reason for any potential downward trend in the use of children in the garment industry may be the widespread adoption in the last several years of U.S. company codes of conduct prohibiting child labor. This potential downward trend may also be the result of (1) greater public awareness about child labor and its use in export industries; (2) changes in the garment industries of exporting countries tending to eliminate subcontractors where the use of child labor is most likely to occur coupled with policies to the same effect by U.S. importers; and (3) concerns that importing countries could enact legislation banning the importation of products made by children. Most likely all of these factors have worked in a mutually-reinforcing way to reduce the use of child labor in the export sector. On the other hand, there remains continuing evidence of child labor in the apparel industry of some countries, including the use of child labor in homework. To be any more definitive, further information is needed.

2. Codes of Conduct

Voluntary codes of conduct have become increasingly common among U.S. corporations in recent years, particularly in the apparel sector. They have their roots in ethical guidelines for multinational corporations developed in the 1970s and voluntary codes of conduct developed by private groups during the 1980s. The first apparel company code of conduct was adopted in 1991. Most other codes have been developed in the last two or three years.

United States corporations have adopted corporate codes of conduct for a variety of reasons, ranging from a sense of "social responsibility" to pressure from competitors, labor unions, the media, consumer groups, shareholders, and worker-rights advocates. The U.S. Government has also encouraged U.S. corporations to adopt model business principles for their overseas operations.

3. The Apparel Industry

The U.S. is the world's largest importer of garments. Imports of garments have been increasing steadily since the 1970s. Between 1985 and 1995, U.S. imports of apparel grew in current dollars by 171 percent, reaching nearly $34.7 billion. In that year, the U.S. imported apparel products from 168 countries.

The U.S. apparel industry is made up of a complex chain of actors whose functions often overlap. The industry includes the following entities:

- **Apparel manufacturers** are primarily engaged in the design, cutting, and sewing of garments from fabric. Some manufacturers are contractors or subcontractors, which generally manufacture apparel from materials owned by other firms. Larger manufacturers often contract production to many such contractors and subcontractors in the U.S. and abroad. Some manufacturers are vertically integrated, producing the textiles from which they make garments, or even operating retail outlets.

- **Apparel merchandisers** generally design and market clothing, but contract the actual production to manufacturers.

- **Buying agents** locate, qualify and inspect foreign suppliers/producers of garments, negotiate with suppliers/producers, and often monitor production for quality control and compliance with other standards. They may be used by U.S. companies that do not have a large presence abroad, or in addition to a U.S. company's buying staff.

- **Retailers** are primarily engaged in the distribution, merchandising, and sale of garments to consumers. Apparel retailers include department stores, mass merchandisers, specialty stores, national chains, discount and off-price stores, outlets, and mail-order companies. A relatively new development is the rise of electronic forms of retailing such as interactive TV and on-line shopping services. Some retailers who sell their own private labels go beyond their traditional role as distributors and become directly involved in the design and sourcing of garments from manufacturers and contractors.

C. Codes of Conduct in the U.S. Apparel Industry

In order to gather information on the extent and implementation of U.S. garment importers' codes of conduct containing child labor provisions, the Department of Labor conducted a voluntary survey of the largest U.S. retailers and apparel manufacturers, based on their level of sales in 1995 as reported in publicly available documents.

- A questionnaire on import sourcing and child labor policies was sent to 48 companies, representing U.S. apparel manufacturers, department stores, mass retailers, specialty stores, and non-store direct marketers (mail order and electronic home shopping).

- Forty-five companies responded to the questionnaire, three of whom said that they regard all information provided as confidential. The remaining 42 companies all indicated that they acquire foreign-produced apparel, the majority as direct importers (i.e., purchasing apparel directly from abroad for their own account), others as indirect importers (i.e., purchasing apparel domestically from U.S. companies that have imported the goods), or in both forms. Follow-up telephone interviews were conducted with respondents to obtain additional information.

1. Existence and Scope of Codes of Conduct

Thirty-six of the 42 companies indicated that they have adopted a policy specifically prohibiting the use of child labor in the manufacture of goods they import from abroad. These policies take different forms:

- special documents (typically referred to as "codes of conduct") outlining their values and guidelines in a variety of areas, including child labor. These documents are a means for companies to clearly and publicly state the way in which they intend to do business to their suppliers, customers, consumers and shareholders;

- letters stating their policies on child labor circulated to all suppliers, contractors and/or buying agents;

- compliance certificates, which typically require suppliers, buying agents, or contractors to certify in writing that they abide by the company's stated standards prohibiting the employment of children;

- clauses in formal documents such as purchase orders or letters of credit, which make compliance with the policy a contractual obligation for suppliers;

- a combination of the above.

Corporate codes of conduct that address labor standards vary from company to company with regard to the specific labor standards included. Some or all of the following elements are found in various codes: (1) prohibitions on child labor; (2) prohibitions on forced labor; (3) prohibitions on discrimination based on race, religion, or ethnic origin; (4) requirements to ensure the health and safety of the workplace; (5) provisions on wages, usually based on local laws regarding minimum wage or prevailing wage levels in the local industry; (6) provisions regarding limits on working hours, including forced overtime, in accordance with local laws; and (7) support for freedom of association and the right to organize and bargain collectively.

U.S. corporate codes of conduct in the garment industry also differ with respect to how the labor standards are defined. The standards used to define child labor vary significantly from company to company. For example, a company's policy statement may:

- state a minimum age for all workers who make their products;

- refer to the national laws of the host country regarding the minimum age of employment or compulsory schooling;

- refer to international standards (e.g., ILO Convention 138); or

- use some combination of the three.

In some cases, companies' policies prohibiting child labor in the production of their goods do not contain any definition of child labor.

2. Transparency

An important issue regarding implementation of corporate codes is their transparency, or the extent to which foreign contractors and subcontractors, workers, the public, NGOs and governments are aware of their existence and meaning. Transparency reinforces the message of codes and leads to more credible implementation. When transparency is lacking, interested parties cannot benefit fully from a code of conduct.

- Most of the respondents with child-labor policies indicated that they had distributed copies of their policies to all suppliers, but few stated that they had communicated their existence to a wider audience or engaged in educational efforts. Many respondents stated that they did not know whether workers were aware of the existence of their codes.

- A small group of companies indicated that they have tried to ensure that production workers in overseas facilities know about their code or policy by specifically requiring that copies of such a statement be posted in the foreign factories from which they purchase.

- Only a few respondents solicited input from international organizations, labor unions, NGOs, or government agencies in developing or implementing their codes of conduct.

3. Monitoring

Monitoring is critical to the success of a code of conduct; it also gives the code credibility. Yet, most of the codes of the respondents do not contain detailed provisions for monitoring and implementation, and many of these companies do not have a reliable monitoring system in place.

Respondents indicated that they utilize a variety of means to monitor that their codes of conduct or policies on child labor are respected by their suppliers.

- Some companies use a form of active monitoring, which involves site visits and inspections, by company staff, buyer agents or other parties, to verify that suppliers are actually implementing the importing company's policy on child labor.

- Some use contractual monitoring, whereby they rely on the guarantees made by suppliers, usually through contractual agreements or certification, that they are respecting a company's policy and not using any child labor in production. This may be seen as "self-certification" by contractors or suppliers. Companies that use contractual monitoring in some cases have no mechanism for ensuring compliance.

- Some respondents indicated that they use a combination of active and contractual monitoring.

Active monitoring may be done through regular checks, formal audits or evaluations, or special visits by corporate staff. The frequency and intensity of visits vary greatly from company to company. For example, some companies may focus their site visits on their larger suppliers or suppliers where there have been alleged problems, or may only monitor those facilities from which they import directly or which manufacture their private-label merchandise.

Contractual monitoring shifts at least part of the burden of responsibility for ensuring compliance with codes of conduct onto the foreign manufacturer, the supplier or the buying agent. Even when monitoring is primarily contractual, there are instances in which the U.S. corporation requires documentary proof of compliance or reserves the right to carry out on-site inspections.

While technically not a monitoring activity, evaluation of prospective contractors with regard to labor standards is becoming an important aspect of code implementation. Seventeen of the companies that responded to the survey stated that they have a process in place to evaluate overseas facilities before they establish a business relationship with them. Such on-site evaluations or inspections have long been made primarily to verify whether the facilities have the physical capacity to meet quality and quantity specifications. Increasingly, the working conditions and employment practices of prospective contractors are also being evaluated, screening out companies that are violators or have the potential for being so in the future.

- Several of the companies that conduct such evaluations indicated that compliance with their policies on working conditions is an important factor in the decision to place a production program with a contractor. These evaluations, according to many, enable them to screen out contractors who do not comply with applicable legal or company standards.

- A few respondents indicated that such pre-contract inspections had enabled them to avoid doing business with a facility that appeared to employ underage children, but most reported that when facilities were rejected, it is usually for other reasons.

c. Enforcement

Enforcement of codes of conduct refers to how U.S. companies respond to violations of their codes of conduct. The vast majority of respondents stated that they have never found any violation of the child labor provisions of their codes; some companies attributed this to their efforts to evaluate and carefully select suppliers before entering into contracts with them, while others indicated that child labor violations of their codes are less common than other types of violations, such as safety and health.

Most respondents stated that, faced with an allegation of violation of their code of conduct, they would first investigate to confirm the use of child labor and then impose enforcement measures. Enforcement policies range from the more severe — immediate termination of the business relationship — to more tempered responses, including demand for corrective action (e.g., dismissal of under-age workers), cancellation of specific orders, and placement of the violating supplier on probation.

D. Implementation Experiences of Codes of Conduct in the U.S. Apparel Industry

Department of Labor officials visited six countries where there is extensive production of garments for the U.S. market — the Dominican Republic, El Salvador, Guatemala, Honduras, India, and the Philippines. The objective of the visits was to learn about foreign suppliers' approaches to the implementation of the established child labor policies of U.S. importers. Interviews were held with as many relevant persons or organizations as possible associated with the apparel industry, i.e., Labor Ministry officials, manufacturers, plant managers, buyers, trade associations, unions, workers, community activists, human rights groups, organizations concerned with children's issues, and other NGOs. At the beginning of each interview, Department of Labor officials indicated that the purpose of the interview was to gather information for a public report, and any information collected could be used for that purpose.

The central element of the field visits was the opportunity to discuss matters related to the existence and implementation of codes of conduct with managers and workers of plants producing apparel for the U.S. market. Department of Labor officials visited 74 apparel-producing plants and 20 export processing zones and met with key representatives of the garment industry — and more specifically of the garment export industry — in all six countries. The results of interviews regarding the 70 plants determined to be exporting to the U.S. market at the present time are reported in the study.

1. Child Labor in the Apparel Industry

The consensus of government officials, industry representatives, unions and NGOs interviewed by the Department of Labor in the Dominican Republic, El Salvador, Guatemala, and Honduras is that child labor is not now prevalent in their garment export industries. In the very few cases where child labor was mentioned, the children were 14 or older. However, the use of workers 15 to 17 is common and there may be extensive violations of local laws limiting the hours for workers under 18.

There was some anecdotal information about the prior use of child labor in the garment industry in Central America. Labor union representatives stated that about two years ago, the garment export industry began to dismiss young workers to avoid adverse publicity in importing countries. Often plant managers no longer hire young workers (14-17 years of age) even if they meet domestic labor law or company code of conduct requirements. However, there are also some reports of fraudulent proof-of-age documents being used by child workers to seek jobs in the garment industry. There continue to be allegations in Guatemala of children working for small subcontractors or in homework in the San Pedro de Sacatepequez area.

Meanwhile, it is clear that children continue to work for subcontractors and in homework in the Philippines and India. They perform sewing, trimming, embroidering and pleating tasks. It is also the case that children are not prevalent in the larger factories in the Philippines, and that recently plant managers in India have become more concerned about not using child labor.

2. Transparency

While most survey respondents indicated they have distributed their code of conduct to all suppliers, many said they were not certain if workers knew about their code. Field visits in six countries revealed that:

- Managers of two-thirds of the plants visited indicated that they were aware of codes of conduct prohibiting the use of child labor, particularly of the codes issued by their U.S. customers. However, not all of the companies that indicated they were aware of codes of conduct had available a copy of the code of conduct (or contractual provision) that they could show and discuss with the visiting Department of Labor official.

- Formal training of plant managers and supervisors about the codes of conduct was not common in the six countries visited. About 30 percent of the facilities visited where managers indicated awareness about codes of conduct stated that they had received some formal training regarding the U.S. companies' code of conduct. However, more than half of these facilities produced for just two companies. Also, it was evident that the intensity of the training varied widely from company to company.

- Posting of a U.S. garment importer's code of conduct is not commonplace in most of the countries visited. In all, 21 of the 70 plants visited by the Department of Labor officials had posted a code of conduct of a U.S. customer; 7 of such plants (out of 8 visited in that country) were in El Salvador. The number of plants visited in each of the other countries where codes of conduct were posted was: Dominican Republic, 2; Honduras, 1; Guatemala, 2; India, 2; and the Philippines, 7.

- Although a significant number of suppliers knew about the U.S. corporate codes of conduct, and codes were posted at 30 percent of the plants visited, meetings with workers and their representatives in the six countries suggested that relatively few workers are aware of the existence of codes of conduct, and even fewer understand their implications.

- Department of Labor officials found a mixed record regarding the extent to which host governments, NGOs, and business organizations were familiar with codes of conduct and their implications.

3. Monitoring

While most respondents monitor foreign suppliers for quality of product and scheduling coordination, monitoring of child labor policies is far less common. Field visits revealed that:

- All plants exporting garments to the U.S. that were visited confirmed that they are subject to regular visits by their U.S. customers or their agents to verify product quality and to coordinate production and delivery schedules. About 90 percent of the companies visited stated that monitors/inspectors verifying product quality generally also examined "working conditions" in the plant, with emphasis on safety and health issues (climate control, ventilation systems, fire escapes, etc.).

- Monitoring for compliance with provisions of the codes of conduct of U.S. garment importers dealing with labor standards — and child labor in particular — is less common. Foreign suppliers that are wholly owned by a U.S. corporation, or contract directly with a U.S. corporation with a presence abroad, seem to be subject to the most frequent and most thorough monitoring of codes of conduct, including child labor and other labor standards.

- A few U.S. corporations — particularly manufacturers — tended to have structured monitoring of all aspects of their codes of conduct and subjected their foreign subsidiaries to such disciplines.

- There was also evidence from the field visits of numerous instances of contractual monitoring of codes of conduct. A reliance upon a form of contractual monitoring is most prevalent in the case of U.S. retailers which do not have a significant presence abroad. In these situations, the burden of monitoring compliance with the U.S. importer's child labor policies rests with the foreign agent, contractor or subcontractor, typically through a certification process. The role of the U.S. importers in monitoring these situations is minimal.

- Site visits confirmed that some U.S. importers screen foreign garment contractors prior to entering into a supply relationship.

4. Enforcement

Foreign plant managers said factories that have passed the screening process and have become contractors of U.S. apparel importers may face a range of corrective measures should they fall short in complying with codes of conduct. Examples of corrective measures cited included changes to the physical plant (improvement of bathrooms, eating facilities, lighting, ventilation), monetary penalties, immediate dismissal of young workers, and termination of contracts.

Foreign plant managers and other industry officials stated continued access to the U.S. market is a very large incentive for overseas garment producers to meet quality/timeliness requirements and comply with codes of conduct.

E. Conclusions and Recommendations

Based upon the information collected from the voluntary survey of 48 U.S. apparel importers and site visits to six countries producing garments for the U.S. market, the Department of Labor found that codes of conduct can be a positive factor in solving the global child labor problem. Most of the large U.S. apparel importers responding to the voluntary questionnaire have adopted codes prohibiting child labor in garment production and some are clearly committed to their implementation. This is a remarkable change in a matter of just a few years.

Codes of conduct are not a panacea. Child labor remains a serious problem, with hundreds of millions of working children around the world. However, the presence of children in the garment export industry may be reduced by the implementation of codes of conduct. It is also possible that changes induced by codes of conduct could have positive spillover effects for children more generally, e.g., a greater commitment of a foreign country to compulsory education for children. However, this relationship requires further study.

Finally, because codes of conduct seem to be tools used by large apparel importers, there may remain smaller importers without codes of conduct still willing to overlook the working conditions of the plants in countries from where they purchase their garments. This question also deserves further study.

Consistent with the important efforts already undertaken by many U.S. apparel importers, the Department of Labor recommends that U.S. companies consider whether some additional voluntary steps might be appropriate:

1. All actors in the apparel industry, including manufacturers, retailers, buying agents and merchandisers, should consider the adoption of a code of conduct.

If all elements of the apparel industry have a similar commitment to eliminating child labor, this would have a reinforcing impact on the efforts that the leaders in the industry have made. Trade associations should consider whether they could increase their technical assistance to help assure that the smaller companies in the industry can achieve this objective.

2. All parties should consider whether there would be any additional benefits to adopting more standardized codes of conduct.

There is a proliferation of codes of conduct. Some foreign companies and producer associations are even drafting their own codes. The definition of child labor differs from code to code, thereby creating some uncertainty for business partners and workers as to what standard is applicable.

3. U.S. apparel importers should consider further measures to monitor subcontractors and homeworkers.

Since most of the violations of labor standards, including child labor, occur in small subcontracting facilities or homework, U.S. apparel importers should consider further measures to monitor subcontractors more closely.

4. U.S. garment importers — particularly retailers — should consider taking a more active role in the monitoring/implementation of their codes of conduct.

The implementation of codes of conduct is a complex matter, and a relatively recent endeavor. Implementation seems best — and most credible — when U.S. companies get directly involved in the monitoring. There is little incentive for foreign companies to comply with a U.S. importer's code of conduct if there is no verification of actual behavior.

5. All parties, particularly workers, should be adequately informed about codes of conduct so that the codes can fully serve their purpose.

In the supplying countries, managers of enterprises are generally familiar with the codes of their clients. Workers, however, are seldom aware of codes of conduct of the U.S. corporations for which they make garments. NGOs and foreign governments are also not fully informed about codes of conduct.

I. Introduction

> *Child labor is almost invisible to most people, but child workers are legion in the world. Sold or exchanged as cheap merchandise, many children cannot escape bonded labor or prostitution. Others suffer, and may only barely survive, the long hours of work, the heavy burdens, the dangerous tools, the poisonous chemicals. The strongest will go on, forever bearing the physical and emotional scars of premature labor. At a time when they should be at school and preparing for a productive adulthood, young boys and girls are losing their childhood and, with it, the promise for a better future.*
>
> *It is true that all over the world there is increasing awareness of this problem. Nevertheless, a wall of silence still surrounds the worst forms of child labor; and other barriers of ignorance and self-interest tend to perpetuate it. Only a clear perception of the problem and the firm resolve to combat it will finally eradicate the evil of child labor.*[1]

A. Overview

In 1993, the United States Congress provided for the Department of Labor's Bureau of International Labor Affairs (ILAB) to establish a special unit to research the use of child labor worldwide and publish reports on child labor issues.

This report is the third volume in ILAB's international child labor series.[2] ILAB's two previous reports documented the use of child labor in the production of U.S. imports, as well as situations of forced and bonded child labor. The present report focuses on the use of child labor in the production of apparel for the U.S. market, and reviews the extent to which U.S. apparel importers have established and are implementing codes of conduct or other business guidelines prohibiting the use of child labor in the production of the clothing they sell.[3]

A development of the last few years, corporate codes of conduct and other business guidelines prohibiting the use of child labor are becoming more common, as consumers as well as religious, labor and human rights groups are increasingly calling on companies to take responsibility for the conditions under which the goods they sell are being manufactured. The term "code of conduct" is used generically in

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[1] *International Programme on the Elimination of Child Labour (IPEC)* (Geneva: International Labor Organization) 1996 [hereinafter IPEC Brochure].

[2] ILAB's first two reports are titled: *By the Sweat and Toil of Children (Volume I): The Use of Child Labor in U.S. Manufacturing and Mining Imports* (1994), and *By the Sweat and Toil of Children (Volume II): The Use of Child Labor in U.S. Agricultural Imports & Forced and Bonded Child Labor* (1995). In addition, in March 1996, ILAB published *Forced Labor: The Prostitution of Children*, the proceedings of a symposium on the sexual exploitation of children held at the Department of Labor in September 1995.

[3] See Omnibus Consolidated Rescissions and Appropriations Act of 1996, P.L. 104-134 (April 26, 1996); S. Rpt. 104-145, Departments of Labor, Health and Human Services, and Education and Related Agencies Appropriation Bill, 1996.

this report to refer to various types of corporate documents establishing policies and standards on child labor and other working conditions. These instruments take different forms — codes of conduct, statements of company policy in the form of letters to suppliers, provisions in purchase orders or letters of credit, and/or compliance certificates.

Chapter II provides an overview of the U.S. apparel industry, U.S. apparel imports, major U.S. retailers and manufacturers of apparel and their codes of conduct.[3] An analysis follows of how apparel companies implement the child labor protections of their codes — using transparency, monitoring, and enforcement as benchmarks. This analysis is drawn from information provided to ILAB by the companies themselves. Chapter III uses information gathered by Department of Labor officials in six countries that export garments to the U.S. market to describe how the codes of conduct are being implemented abroad. Chapter IV contains conclusions on codes of conduct gathered from the review of company policies prohibiting child labor as well as the country visits.

The remainder of this introduction will place the discussion of codes of conduct in the broader context of child labor throughout the world. It will give some background on existing international child labor standards and current estimates of child workers. It also will provide some observations on recent child labor trends in the garment industry, and explain why codes of conduct have come to be seen by some as a partial response to the international child labor problem.

B. International Child Labor

The International Labor Organization (ILO) establishes and supervises the application of international labor standards — including child labor standards. Its basic philosophy on child labor was set in the early part of this century: "Under a certain age children should not need to engage in an economic activity."[4]

The term "child labor" generally refers to any economic activity performed by a person under the age of 15. Not all work performed by children is detrimental or exploitative. Child labor does not usually refer to performing "light work" after school or legitimate apprenticeship opportunities. Nor does it refer to young people helping out in the family business or on the family farm. Rather, the "child labor" of concern is generally employment that prevents effective school attendance, and which is often performed under conditions hazardous to the physical and mental health of the child.

International standards provide guidelines on the minimum age for employment, allowing for exceptions based on the conditions of work. ILO Convention 138 on the Minimum Age for Employment, adopted in 1973, states: "The minimum age

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[3] For purposes of this report, the terms "apparel" and "garment" are used interchangeably.

[4] *Child Labour: What is to be done? Document for discussion at the Informal Tripartite Meeting at the Ministerial Level* (Geneva: International Labor Office) ITM/1/1996, June 12, 1996, 20 [hereinafter Child Labour: What is to be done?]

. . . should not be less than the age of compulsory schooling and, in any case, shall not be less than 15 years." Convention 138 allows countries whose economy and educational facilities are insufficiently developed to initially specify a minimum age of 14 years and reduce from 13 years to 12 years the minimum age for light work.[6]

Convention 138 defines "light work" as work that is not likely to harm the child's health or development, or prejudice his/her attendance at school. Convention 138 also prohibits any child under the age of 18 from undertaking dangerous work — that is, work that is likely to jeopardize the health, safety or morals of young persons.

Partly due to the focus on the child labor issue in the last few years, there have been further discussions about more clearly defining what constitutes "exploitative" child labor that violates the human rights of a child and for which a strong international consensus exists for immediate abolition.[7] The ILO has begun the effort to adopt a new standard on the abolition of the most "intolerable forms" of child labor by 1999.

In the meanwhile, the ILO's International Programme on the Elimination of Child Labor (IPEC), established in 1992 to assist countries in the phased elimination of child labor, refers to certain categories of child labor as "intolerable": children working under forced labor conditions and in bondage; children in hazardous working conditions and occupations; and very young working children (under 12 years of age).[8]

Whether child labor is defined by age or conditions of work, no reliable information exists on the actual number of children working throughout the world. Most available data — and it is partial — only covers economic activity of children between the ages of 10 and 14. The ILO estimates that there are at least 73 million economically active children in this age group.[9] The number of child workers under 10 is thought to be significant — in the millions.[10] However, according to the ILO, the probable total number of child workers around the world today may be in the "hundreds of millions."[11]

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[6] See Child Labour: What is to be done? at 27.

[7] See *Trade, Employment and Labour Standards: A Study of Core Workers' Rights and International Trade* (Paris: Organisation for Economic Cooperation and Development) May 14, 1996, 19-21.

[8] IPEC Brochure.

[9] *Child Labour Today: Facts and Figures* (Geneva: International Labor Organization, ILO-CLK-1) June 10, 1996 [hereinafter Child Labour Today: Facts and Figures].

[10] Child Labour Today: Facts and Figures.

[11] Child Labour Today: Facts and Figures. The ILO is currently working to develop better statistical information on child labor. Experimental statistical surveys have been carried out by the ILO in four countries: Ghana, India, Indonesia and Senegal. See *Child Labour Surveys: Results of methodological experiments in four countries 1992-93* (Geneva: International Labor Office) 1996. The ILO's IPEC program is now utilizing its survey techniques in other countries — Turkey, Pakistan and the Philippines (funded by the U.S. Department of Labor).

C. Child Labor in the Apparel Sector

There are no reliable statistics on the rate of employment of children in any particular economic activity, including the garment sector. Therefore, most information on child labor in the garment industry comes from eyewitness accounts, non-governmental organization (NGO) and academic studies, journalists, and ILO reports.

The Department of Labor's 1994 international child labor study, *By the Sweat and Toil of Children (Volume I): The Use of Child Labor in U.S. Manufactured and Mined Imports*, catalogued existing information on child labor in the garment industries of Bangladesh, Brazil, China, Guatemala, India, Indonesia, Lesotho, Morocco, the Philippines, Portugal and Thailand. While the report noted that more research was necessary to confirm the extent and working conditions of child workers, in some cases it stated that children were involved in the production of garments for export to the United States.

With the exception of Bangladesh, where children regularly worked in large-scale, formal factories, the report found that children were more likely to work in small subcontracting shops or homework situations. In some cases, children were found to work in locked shops, with armed guards preventing entrance and exit during work hours. Children worked on tasks such as sewing buttons, cutting and trimming threads, folding, moving and packing garments. In small shops and homesites in the Philippines, children were also found embroidering and smocking (making pleats). In some cases, children worked long hours — sometimes six or seven days a week. Some children received less than the minimum wage and were not paid for overtime work.

Today, two years after our initial findings, children continue to work in the apparel sector. A 1996 ILO study states that "...there is no denying that child labor is still very much a reality" in the apparel sector, although it is "extremely difficult to give exact figures, particularly for the segment involved in world markets, because of the complex subcontracting arrangements in operation."[12] The same ILO study also notes positive developments that may have contributed to the shifting of some children out of the garment sector: increased international concern about the conditions under which labor-intensive goods such as clothing are produced, and initiatives by some developing countries to eliminate child labor in order to improve the image of their industries.

Anecdotal information gathered during the preparation of this report also indicates that fewer children may be working on garment exports for the U.S. market — at least in some countries — in 1996 than in 1994. This conclusion, however, is based mainly on anecdotal evidence in the six countries where Department of Labor officials visited. More research is necessary to confirm that a downward trend in the use of child labor in garment production is a universal phenomenon.[13] This is no small task since a total of 168 countries export apparel to the U.S. market, many of them small suppliers. There are reports of child labor in some newer suppliers to the U.S. market.[14]

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[12] *Globalization of the footwear, textiles and clothing industries: Report for discussion at the Tripartite Meeting on the Globalization of the Footwear, Textiles and Clothing Industries: Effects on Employment and Working Conditions* (Geneva: International Labor Organization) 1996, 75 [hereinafter ILO Textile Report].

There are several reasons which might explain a potential downward trend in the use of child labor in garment-exporting countries.

First, any potential downward trend may be partly due to the widespread adoption in the last several years of U.S. company codes of conduct prohibiting child labor.

Second, public awareness of child labor and reports of its use in export industries, including the garment industry, may be a substantial contributing factor to a declining use of child labor. There has been a whirlwind of media accounts and public pressure concerning child labor during the past few years. Investigative journalists have broadcast or published numerous reports of working children, particularly in developing countries, making products sold in the United States and other industrialized nations. In some cases, news reports have named the companies whose products were shown to be made by young workers.

For example, in 1993 an American television newsmagazine reported a story of young Bangladeshi children making garments sold at Wal-Mart stores. News accounts also reported that young girls were producing garments at an independent Bangladeshi contractor facility supplying Levi Strauss & Company. More recently, an NGO accused The Gap of selling clothing made in Salvadoran sweatshops that used young workers.[15] In 1996, the same group charged that Honduran children produced clothing bearing the Kathie Lee Gifford label and sold in Wal-Mart stores.[16]

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[13] In the case of the People's Republic of China — the second largest exporter of garments to the U. S. in 1995 — documenting labor practices, including child labor, remains extremely difficult. The 1994 study noted newspaper reports and other anecdotal accounts of children 12 to 15 years old working 15 hours a day in garment factories. It is not known whether there has been any demonstrable change in the number or situation of child workers in the Chinese apparel industry.

[14] For example, there is a recent report on possible child labor in a Cambodian garment factory. *See* American Embassy - Phnom Penh, unclassified telegram no. 2594, September 16, 1996.

[15] In June 1995, the National Labor Committee (NLC) alleged that more than 100 workers at the Mandarin International garment manufacturing plant in El Salvador producing garments for The Gap were between the ages of 14 and 17. Although the employment of the young workers seemed to comply with Salvadoran law and The Gap's code of conduct, it was alleged that the young workers were forced to work longer hours than allowed by law. In December 1995, The Gap signed an agreement consenting to independent monitoring of its code of conduct. It also agreed to re-approve the Mandarin factory as a contractor when the factory could effectively implement The Gap's code. The independent monitoring group consists of local volunteers from Salvadoran NGOs.

[16] In April 1996, the NLC presented testimony at a Congressional hearing alleging that clothing bearing the Kathie Lee Gifford label sold at Wal-Mart was made by illegal child labor in Honduras. The NLC claimed that the Global Fashion factory employed workers as young as 13 and forced them to work long overtime hours, and sometimes through the night. The NLC asserted that, during peak production times, the girls were not permitted to attend night school because they were forced to stay at work. A letter sent to Ms. Gifford outlining these allegations, requested her to publicly disavow the use of child labor and allow independent human rights monitors access to plants producing Kathie Lee clothing. Ms. Gifford's first response was to distance herself from the allegations, saying that she had no knowledge of illegal labor practices and no means to oversee the employment practices in the overseas production of her clothing. Later, she announced that she would take responsibility for ensuring that no children produced garments bearing her label, and encouraged other companies and celebrity endorsers to do the same. Ms. Gifford has announced her intention to hire an independent monitor to ensure that her clothing is made under appropriate labor conditions.

Third, in some countries, such as the Philippines, increasing numbers of larger factories may be squeezing smaller subcontracting shops — which are more likely to employ children — out of work. Professor Rosario del Rosario, a child labor expert who recently concluded a survey on child labor in the Philippines' garment sector, told Department of Labor officials that although there is still some child labor used in subcontracting levels of the garment industry, the numbers of child workers has decreased since the late 1980s. She said that subcontractors who once employed children have reported that larger exporting factories have markedly decreased their orders for the garments that they had traditionally supplied.[17] While this is not necessarily the case everywhere, the Philippine experience illustrates that a decline in the use of subcontracting arrangements may cause a decline in the use of child labor.[18]

A related development that may help explain a downward trend in the use of child labor in some circumstances is the strategic decision by some large U.S. importers to prevent or restrict subcontracting by foreign suppliers and to consolidate their sourcing with a smaller number of larger factories.

Fourth, garment manufacturers may be responding to concerns that importing countries could enact legislation banning the importation of products made by children. Such legislation has been introduced in recent U.S. Congresses.

There are also cases where children have been displaced from the garment sector, as business practices have reacted to market pressures to reduce the use of child labor. One of the most dramatic examples involves Bangladesh, where large numbers of children worked in garment factories as recently as 1994 (see Box I-1). International media attention and threats of boycotts and cancelled work orders led to the dismissal of thousands of child workers from the garment sector — unfortunately in this instance with no safety net in place for them.

In response to concerns for the dismissed child workers, a memorandum of understanding was negotiated between the Bangladesh Garment Manufacturers and Exporters Association and the ILO and Unicef — with the active support of the U.S. Embassy and the U.S. Department of Labor — to place the children in schools, and to offer their jobs to older family members.

Thus, it is possible that in the absence of government programs to assist children, the precipitous dismissal of child workers can endanger, rather than protect them.[19] More research is needed so that governments, industry, international organizations, and others concerned with the welfare of children are better equipped to

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[17] U.S. Embassy - Manila unclassified telegram no. 12378, September 17, 1996.

[18] In contrast to the Philippines experience, a 1996 ILO study on the textile, clothing and footwear sector notes a trend towards outsourcing. The ILO reports that this is reflected in the use of homework and in recourse to moonlighting in small enterprises and clandestine workshops. Such practices tend to undermine basic employment and working conditions. See ILO Textile Report at 64.

[19] A recent article on labor conditions in Honduran garment factories states: "Union leaders and workers say factory owners have also been reviewing their personnel records and dismissing all employees who are minors. But that does not mean the dismissed youngsters are returning to school. On the contrary, management and labor agree that most of the children have instead sought new jobs outside the assembly sector that are lower paying and more physically demanding or are buying fake documents in an effort to sneak their way back into the apparel plants." Larry Rohter, "Hondurans in 'Sweatshops' See Opportunity," *The New York Times*, July 13, 1996 [hereinafter "Hondurans in Sweatshops"].

BOX 1

BANGLADESH CASE STUDY

In 1993, an American television newsmagazine — "NBC Dateline" — broadcast a story of young Bangladeshi children making garments sold at Wal-Mart stores. This put pressure on Wal-Mart to cancel its contracts with Bangladeshi manufacturers. Other companies informed their Bangladesh partners that the use of child labor was creating negative press and was bad for business. At the same time, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) learned of proposed legislation that could restrict the U.S. import of items made with child labor, potentially closing the American market to Bangladeshi garments if children were found in the factories. Garment exports are the single largest export industry in Bangladesh — with over 50 percent of garment exports going to the U.S. Obviously, should Bangladesh no longer be able to sell its garments to the U.S., its national economy would be seriously affected.

This pressure led to action. On July 4, 1994, the BGMEA announced that it would eliminate child labor in the garment industry by October 31, 1994. Thousands of children were reportedly dismissed from the factories as a result.

Some reports indicated the children removed from the garment factories were forced to resort to more dangerous and lesser paid work in the informal sector. Rumors circulated that many of the children ended up as street beggars, domestic servants, or were forced into prostitution. Other reports noted that the children were hired by underground subcontractors, working in hidden garment sweatshops under worse conditions than before. While there is no clear evidence describing what happened to the children, it is clear that the government of Bangladesh was not providing adequate schools or other programs for them.

Once it became apparent that there was no safety net for the dismissed children, representatives of the ILO, Unicef, the Asian-American Free Labor Institute (AAFLI) and officials of the U.S. Embassy, asked the BGMEA to cease firing underage workers until a school system and other measures were in place. After a year of extended negotiations, a Memorandum of Understanding (MOU) was signed on July 4, 1995 between the BGMEA, the ILO and Unicef. The MOU provides that all child workers in the garment sector be removed from the factories and enrolled in schools. It forbids any new hiring of underage workers, as well as any retention of children once all MOU schools have opened. A monitoring and verification system developed by the ILO oversees compliance; and monitoring teams make unannounced visits to factories and schools, reporting violations to a steering committee for action. The MOU also states that the BGMEA will offer employment to qualified family members of underage workers whose employment is terminated under the agreement and that former child workers will be offered reemployment once their schooling is completed.

A survey, conducted in the fall of 1995, determined the number and identity of child workers in BGMEA factories. The survey counted approximately 11,000 children — a significantly lower number of children than thought to be in the factories a year earlier. As of September 1996, 130 MOU schools for former child workers have opened, serving nearly 2300 children. Clearly, progress has been slow. ILO monitoring teams making random, unannounced factory visits continue to encounter obstacles from some producers. They also continue to find additional underage workers that were either missed by the original surveys or are new hires. Furthermore, the schools are not filled. Unless the industry is fully committed to the MOU, its potential success may remain unrealized.

design appropriate programs.[20] It is clear, however, that local and national commitments to universal and free education for children are immediate and positive steps which can and should be taken.

D. Codes of Conduct: A Recent Innovation

Codes of conduct have become increasingly common in recent years, particularly in the apparel sector. While the first codes of conduct in the apparel industry were developed in the early 1990s,[21] today, the majority of the major apparel manufacturers and retailers have developed or are developing codes or business policies that address child labor and other working conditions. Many companies are now revising their codes to incorporate lessons learned from their own or other companies' experiences. While this report focuses on the child labor provisions of codes of conduct, many of its findings can be generalized to the other labor provisions that codes often address.

The recent proliferation of codes of conduct can be attributed to several factors. With media reports and exposés on child labor becoming more frequent, consumers — and therefore companies — are becoming increasingly concerned about the conditions under which the garments they purchase are made. Companies' adoptions of codes of conduct serve to ease consumer concerns — and their own — that they may be contributing to the exploitation of child labor. Often companies adopt codes to project a positive image and protect their brand-name or quality reputation. Some are motivated by good intentions; some by bottom-line considerations — many by both.

The analysis of codes of conduct contained in this report is based on a voluntary survey and follow-up telephone interviews with the largest U.S. retailers and manufacturers of apparel. In its review of the extent and effectiveness of codes of conduct in the apparel industry, the report has benefitted from the input of representatives of industry, human rights groups, religious groups, trade unions, workers, academics and other governments.[22] Appendices B and C list the companies surveyed and reproduce the codes of conduct they provided. Site visits were undertaken to six countries — the Dominican Republic, El Salvador, Guatemala, Honduras, India, and the Philippines — that produce garments for the U.S. market in an attempt to learn more about how codes of conduct are implemented on the local level. Appendix D provides additional information on countries visited and persons and organizations with whom Department of Labor officials met.

Companies with codes of conduct or policies prohibiting the use of child labor in overseas production facilities use a variety of methods to define child labor. Some companies refer to "national law" or "international standards." Some companies, in an effort to avoid adverse publicity, even require their suppliers to comply with minimum age requirements that are above the minimum age mandated by national law or international standards. This is because there is no certainty of what minimum age for employment is "publicly acceptable," and some companies are prohibiting the employment of "teenagers" in the 14 - 17 age bracket to avoid workers who could be considered "children."

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[20] *Child Labour: Report to the ILO Committee on Employment and Social Policy* (Geneva: International Labor Office) ILO Doc. GB.264/ESP/1, November 1995, 18.

[21] According to Levi Strauss & Co., its Global Sourcing & Operating Guidelines adopted in 1991, were the first ever developed.

[22] See *International Child Labor Hearing* (Washington, DC: U.S. Department of Labor) June 28, 1996.

While many companies have adopted codes either to prevent, or in response to, adverse publicity, having a code of conduct can, ironically, make companies more vulnerable to criticism if conditions are found that violate their code. Indeed, some companies still consider it "safer" to avoid any public declaration of their standards through a code of conduct.

Furthermore, the most important developments today do not lie so much in adopting codes, which are already widespread, but in the ways companies are devising to implement those codes. Some companies have adopted codes before fully developing methods to implement them. As Chapter II notes, the international apparel industry is complex, with many U.S. companies sourcing from hundreds or thousands of overseas buying agents, contractors and subcontractors. For this reason, implementation presents definite challenges for many importers.

Some companies require their quality control personnel to double as social auditors, while others are engaging outside firms to survey compliance. Still others ask their contractors to sign a contract certifying that they do not hire children, and then rely on the word of the contractor without further verification. Some companies are experimenting with new approaches, literally learning as they go. Some have begun working with unions, human rights and religious groups to establish a monitoring system.

Credibility is the critical element for codes of conduct. Without it, the promises contained in a code are hollow and the credibility of the company falters. Companies' success in assuring the public that their policies on labor practices abroad are indeed being followed will depend on the three key elements of implementation that are discussed in detail in Chapters II and III — (1) transparency, (2) monitoring, and (3) enforcement.

First, codes of conduct cannot be effectively implemented without transparency. It is critical that all actors affected by a code — buying agents, contractors, subcontractors, union representatives and the workers themselves — be aware of its provisions. Research conducted for this report suggests that codes of conduct conceived in the headquarters of U.S. apparel importers are not necessarily well known in the overseas facilities that produce their garments.

Second, while a credible system of monitoring — to verify that a code is indeed being followed in practice — is essential, there is no agreement on the best way to conduct monitoring. Some companies only monitor their largest contractors or contractors that produce private-label merchandise for them and rely on buyer agents or self-monitoring for other facilities. Several methods of monitoring are currently being used and developed, including monitoring by outside auditors and local and international NGOs. The most effective type of monitoring may vary according to the characteristics of the importing company, such as whether it has a strong presence abroad or whether it is vertically integrated. It appears that the closer a company is to the production, the more leverage it has to ensure that the conditions at manufacturing facilities comply with its policies. There also appears to be some dispute among retailers, manufacturers, overseas contractors and other parties as to who has the ultimate responsibility for monitoring.

Third, the issue of enforcement presents some complex issues. If a company discovers child workers in a facility, the quickest and perhaps easiest way to resolve the problem is to require their immediate dismissal. A small number of companies have strived to come up with more comprehensive solutions to the problem — such as providing financial support for the education of the children.

These are some of the pitfalls and challenges that companies face in attempting to enforce their code of conduct in overseas facilities. An effective implementation program can be time-consuming and financially burdensome. But just as companies invest in the quality of their clothes, they are now learning how to effectively invest in the quality of their labor conditions.

II. Codes of Conduct in the U.S. Apparel Industry

A. Introduction

The United States is the world's largest importer of garments. In 1994, it accounted for 28 percent of world imports of such products.[1] The garment industry is a global industry, with American companies importing clothing for the United States market from all over the world. Along with globalization have come increased concerns from companies and consumer, labor and human rights groups regarding the labor conditions under which garments are made. These concerns pertain to health and safety conditions in garment factories, wage and hour issues, trade union rights, and, perhaps most commonly, child labor and forced labor.

In response, many U.S. garment manufacturers and retailers have voluntarily developed codes of conduct, or policy statements, requiring factories with which they do business — in the U.S. and abroad — to meet certain legal and ethical standards. These codes of conduct address a variety of worker rights issues. Provisions prohibiting child labor are one of the most common elements of these codes.

While codes of conduct have been adopted by many companies in the garment industry, they are also a recent phenomenon. A small number of companies in the garment industry first introduced formal codes of conduct in the early 1990s and have been implementing them for several years.[2] Most firms, however, have developed codes in the past two or three years.

This chapter will examine the use of codes of conduct by large U.S. importers of garments, specifically with respect to provisions prohibiting the use of child labor in overseas production.[3] It will describe the extent to which large U.S. retailers and apparel manufacturers have adopted codes of conduct with provisions on child labor, the content of these codes, and how companies are implementing them.[4]

Part B of this chapter provides a brief overview of codes of conduct. Part C describes the U.S. garment industry and U.S. imports of garments. Part D explains which apparel manufacturers and retailers were surveyed regarding their importing practices and codes of conduct with respect to child labor. Part E describes the extent, form, content and elements of child labor provisions in garment importers' codes of conduct. Part F describes the various ways in which garment importers implement the child labor provisions of their codes and discusses issues surrounding code implementation.

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[1] Sri Ram Khanna, "Trends in US and EU Textile and Clothing Imports," *Textile Outlook International*, January 1996, 80 [hereinafter Trends in US and EU Textile and Clothing Imports].

[2] According to Levi Strauss & Co., its "Global Sourcing & Operating Guidelines," adopted in 1991, were the first ever developed.

[3] This study focuses on the child labor issue, although other labor standard aspects of code of conduct are also controversial and require further review.

[4] This study examines the foreign implementation of codes of conduct, not domestic application — although many companies have similar policies for garment production and sourcing within the United States.

B. Corporate Codes of Conduct

Corporate codes of conduct are policy statements that define ethical standards for companies. Corporations voluntarily develop such codes to inform consumers about the principles that they follow in the production of the goods and services they manufacture or sell. Corporate codes of conduct usually address many workplace issues — including child labor —and, according to some observers, are part of a broader movement toward corporate social responsibility.[5]

1. Earlier Origins of Codes of Conduct

In the early 1970s, multinational corporations or multinational enterprises (MNEs) were widely criticized for their behavior in developing countries.[6] Host governments, as well as labor organizations, said that multinational corporations failed "to operate in harmony with local economic, social and political objectives."[7] For their part, many corporations resisted arguments that they had a social purpose to pursue in their overseas activities.

In response to pressure from developing countries and human rights groups, several international organizations developed ethical guidelines addressing the conduct of MNEs. Examples include the draft United Nations Code of Conduct for Multinational Corporations,[8] the OECD Guidelines for Multinational Enterprises,[9] and the ILO Tripartite Declaration on Principles concerning Multinational Enterprises and Social Policy.[10] These multilateral codes of conduct covered MNE behavior on a range of topics, including labor standards.

Although the OECD guidelines and the ILO Declaration of Principles contain mechanisms for reporting abuses and problems, neither organization enforces its guidelines since they are voluntary and not legally binding.[11] However, both continue to serve as examples for efforts by private groups and corporations to develop codes of conduct. The U.N. Code of Conduct for Multinational Enterprises was never formally adopted and, therefore, remains merely a statement of principles.

Private groups have also developed voluntary codes of conduct aimed at the operations of U.S. corporations in specific countries or with regard to specific issues.

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[5] Lance Compa and Tashia Hinchliffe-Darricarrere, "Enforcing International Labor Rights Through Corporate Codes of Conduct," *Columbia Journal of Transnational Law* 33 (1995), 663-668 [hereinafter Compa and Hinchliffe-Darricarrere].

[6] *The OECD Declaration and Decisions on International Investment and Multinational Enterprises, 1991 Review* (Paris: Organization for Economic Cooperation and Development, 1992), 39.

[7] See James Michael Zimmerman, *Extraterritorial Employment Standards of the United States: The Regulation of the Overseas Workplace* (New York: Quorum Books, 1992).

[8] *Development and International Economic Cooperation: Transnational Corporations*, U.N. Economic and Social Council, 2nd Session, Agenda Item 7(d), U.N. Doc. E/1990/94 (1990), 1.

[9] *The OECD Declaration and Decisions on International Investment and Multinational Enterprises, 1991 Review* (Paris: Organization for Economic Cooperation and Development, 1992), 39.

[10] *Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy*, 2d ed., (Geneva: International Labor Office, 1991) [hereinafter ILO Declaration of Principles].

[11] See Compa and Hinchliffe-Darricarrere at 670-71.

Among these codes, the Sullivan Principles (South Africa)[12] and the MacBride Principles (Northern Ireland)[13] dealt primarily with labor standards issues, while the Slepak Principles (Soviet Union)[14] and the Maquiladora Standards of Conduct (Mexico/Central America),[15] dealt with a broader set of topics, with labor standards playing a prominent part. As is the case with the multilateral codes, these privately developed codes of conduct provide models for corporations to develop their own codes of conduct addressing labor standards issues, including child labor.

2. Rationale for Adopting Codes of Conduct

United States corporations have adopted corporate codes of conduct for a variety of reasons, ranging from a sense of social responsibility to pressure from competitors, labor unions, the media, consumer groups, shareholders and worker-rights advocates. The U.S. Government has also encouraged U.S. corporations to adopt model business principles for their overseas operations.[16]

Companies that import products from countries whose labor conditions have received negative publicity regarding child labor or abusive working conditions may develop codes of conduct in order to prevent further criticism.[17] A Hong Kong trade lawyer stated in a recent article that many importers "just think it's wrong to have their goods made under conditions considered offensive. Others...don't want to be exposed on *60 Minutes* or *20/20*."[18]

Companies who spend hundreds of millions of dollars on advertising and whose sales depend heavily on brand image and consumer goodwill are particularly responsive to allegations that their operations exploit children or violate other labor standards. Some have cited positive correlations between responsible business behavior and return-on-investment, stock price, consumer preferences and employee loyalty. The CEO of Levi Strauss & Co. has said:

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[12] The Sullivan Principles, developed by the Reverend Leon H. Sullivan in 1977, were aimed at U.S. corporations doing business in South Africa within the apartheid legal system. They were intended to apply pressure on the South African government to end apartheid by promoting employment practices in U.S. corporations that ensured racial equality. *See* Leon H. Sullivan, "The Sullivan Principles and Change in South Africa," *in Business in the Contemporary World*, Herbert L. Sawyer, ed., (1988), 175.

[13] Named after Nobel Prize-winning human rights activist Sean MacBride, the MacBride Principles were developed in 1984 by the Irish National Caucus to address allegations of anti-Catholic discrimination in employment in Northern Ireland. *See The MacBride Principles* (Washington, D.C.: Irish National Caucus, 1984), 2.

[14] The Slepak Principles were issued in 1987 by the Slepak Foundation. They were designed to apply to U.S. corporations doing business in the former Soviet Union. *See* Jorge F. Perez-Lopez, "Promoting Respect for Worker Rights Through Business Codes of Conduct," *Fordham International Law Journal* 17 (1993), 13.

[15] Maquiladoras are plants that assemble parts and components into a finished product for export. Maquiladoras are located in Mexico, Central America and the Caribbean, and assemble U.S.-made parts and components into finished goods that are exported to the United States. The Maquiladora Standards of Conduct were issued in 1991 by the Coalition for Justice in the Maquiladoras. *See* "Maquiladora Standards of Conduct," *in The CJM Newsletter* (San Antonio, Texas: Coalition for Justice in the Maquiladoras, 1992), 1.

[16] In 1995, the Clinton Administration encouraged U.S. corporations and organizations to develop their own voluntary codes of conduct for their foreign operations based on a set of Model Business Principles. *See Model Business Principles* (U.S. Department of Commerce International Trade Information Center, 1995). *See also* "Administration Releases Details on Voluntary Business Principles," *Daily Labor Report*, no. 104 (May 31, 1995): A-4.

[17] "The Business of Child Labour," *Anti-Slavery Reporter* (London: Anti-Slavery International, July 1996): 6.

[18] James Cox, "U.S. Retailers Put Pressure on Foreign Factories," *USA Today*, September 4, 1996.

> I believe — and our company's experience demonstrates — that a company cannot sustain success unless it develops ways to anticipate and address ethical issues as they arise. Doing the right thing from day one helps avoid future setbacks and regrets. Addressing ethical dilemmas when they arise may save your business from serious financial or reputational harm.[19]

Some companies adopt codes as a direct response to public pressure. For example, when Starbucks Coffee Company received hundreds of letters from consumers and investors demanding an improvement in working conditions on Guatemalan coffee plantations, it decided to introduce a code of conduct for all of its coffee bean suppliers. A Starbucks executive admitted that the protesters had "prodded" the company into developing a code.[20]

Corporations may adopt codes of conduct in order to demonstrate that they are good corporate citizens, or to earn the label of a "socially responsible" company.[21] By incorporating the concept of social responsibility into their normal business dealings, companies may develop corporate philosophies that combine "altruism and enlightened self-interest."[22]

3. Extent of Usage of Codes of Conduct

There is no information on the exact extent to which U.S. corporations have adopted codes of conduct governing their foreign operations. Press reports and other publicly available information suggest that a significant number of U.S. corporations and business organizations have done so. Most available information on codes of conduct is on large corporations.

For example, U.S. companies in such diverse industries as footwear (Nike, Reebok), personal care products (Gillette), photographic equipment and supplies (Polaroid), stationery products (Hallmark), hardware products (Home Depot), restaurants (Starbucks), and electronics and computers (Honeywell) are known to have corporate codes of conduct.

In addition, several business organizations have issued codes of conduct designed to be used by medium- and small-sized member companies whose corporate structures may not be sufficiently large to develop their own code of conduct.

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[19] Robert D. Haas, "Ethics — A Global Business Challenge: Character and Courage," speech to the Conference Board, New York City (May 4, 1994) *Vital Speeches of the Day*, 506, 507 (on file with the International Child Labor Study).

[20] Mary Scott, "Can Consumers Change Corporations?" *Executive Female*, May/June 1996, 45.

[21] According to the International Mass Retailers Association, companies should be good corporate citizens but the responsibility for eliminating child labor lies not with corporations but with local and U.S. governments — "it's called law enforcement." *See International Child Labor Hearing*, U.S. Department of Labor (June 28, 1996) (Statement of the International Mass Retailers Association)[hereinafter Statement of IMRA].

[22] Dominic Bencivenga, "Human Rights Agenda," *New York Law Journal* (July 13, 1995) 5 (quoting Diane F. Orentlicher, professor of international law at American University).

These business organizations include the Athletic Footwear Association, the Toy Manufacturers of America, and the Asia-Pacific Council of American Chambers of Commerce.

In the context of the current report, the Department of Labor has identified more than 35 U.S. manufacturers of apparel or retailers of apparel products that utilize codes of conduct regarding their foreign operations. In addition, two associations that bring together the bulk of U.S. apparel producers and retailers — the American Apparel Manufacturers Association (AAMA) and the National Retail Federation (NRF) — have also developed codes of conduct. These codes of conduct are discussed in more detail below.

C. The Apparel Industry

In reviewing the development of codes of conduct in the garment industry, it is important to recognize the enormous changes that have occurred in the industry in recent decades. Once concentrated in the United States and other industrialized countries, the garment industry has gradually spread in successive waves to countries with lower production costs, becoming a worldwide industry whose geographical distribution is constantly changing.[23]

A number of factors have contributed to this globalization. Many developing countries have based or are basing their industrialization on labor-intensive export sectors, particularly the apparel sector. Developing countries have almost doubled their share of world clothing exports since the early 1970s to account for more than 60 percent of exports today.[24] At the same time, companies in the U.S. and other industrialized countries have adopted strategies to relocate certain labor-intensive activities, such as clothing assembly, to low-wage countries through direct investment or outsourcing. Thus, according to the ILO, the industrialized countries have "promoted the expansion of the clothing industry in the developing countries and participated actively in the growing globalization of the sector." [25]

1. Structure of the Industry

The garment industry is made up of a complex chain of actors whose roles often overlap. In very general terms, the industry includes the following entities:

- **Apparel manufacturers** are primarily engaged in the design, cutting and sewing of garments from fabric. Some manufacturers are contractors or subcontractors, which generally manufacture apparel from materials owned by other firms. Larger manufacturers often contract production to many such contractors or subcontractors in the U.S. and abroad. Some manufacturers are vertically integrated, producing the textiles from which they make garments, or even operating retail outlets.

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[23] *Recent Developments in the Clothing Industry* (Geneva: International Labor Organization, 1995) 7 [hereinafter *Recent Developments*].

[24] ILO Textile Report at 6.

[25] *Recent Developments* at 7.

- **Apparel merchandisers** generally design and market clothing, but contract the actual production to manufacturers.

- **Buying agents** locate, qualify and inspect foreign suppliers producers of garments, negotiate with suppliers producers, and often monitor production for quality control and compliance with other standards. They may be used by U.S. companies that do not have a large presence abroad, or in addition to a U.S. company's own buying staff.

- **Retailers** are primarily engaged in the distribution, merchandising, and sale of garments to consumers. Apparel retailers include department stores, mass merchandisers, specialty stores, national chains, discount and off-price stores, outlets, and mail-order companies. A relatively new development is the rise of electronic forms of retailing such as interactive TV and on-line shopping services. Some retailers who sell their own private labels go beyond their traditional role as distributors and become directly involved in the design and sourcing of garments from manufacturers and contractors.

Figure II-1 illustrates the relationships among these various entities as they relate to the import of garments.

Intense competition in the U.S. retail sector has resulted in significant restructuring of the industry in recent years. One factor contributing to this trend has been the rise of mass marketing stores and discount retailers with low overhead costs and low prices.[26] These nontraditional retailers have displaced a significant share of the sales of traditional apparel retailers such as department and specialty stores.[27] There have been a growing number of bankruptcies and consolidations in the retail sector, resulting in an increased concentration of large firms at the retail level.[28] In 1993, the five largest retail companies accounted for 48 percent of total retail sales.[29]

Many experts point to changes in consumer attitudes as a driving force behind the restructuring that is occurring in the retailing industry. Not only have consumers become more cautious in their buying habits, but they have been reducing the portion of their disposable income that they spend on apparel.[30] In addition, consumers are increasingly demanding quality goods at low prices.[31] Retailers have often been forced to sell merchandise permanently at "sale" prices, with promotions occurring throughout the year.[32] Economists and sociologists have attributed in-

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[26] Dynamic Change in the Garment Industry: How Firms and Workers Can Survive and Thrive (U.S. Department of Labor, Office of the Chief Economist, 1996) 1 [hereinafter Dynamic Change in the Garment Industry].

[27] Jackie Jones, "Forces Behind Restructuring in U.S. Apparel Retailing and its Effect on the U.S. Apparel Industry," *Industry, Trade, and Technology Review* (U.S. International Trade Commission, 1995) 23 [hereinafter Forces Behind Restructuring].

[28] *Ibid.*

[29] *Ibid.*

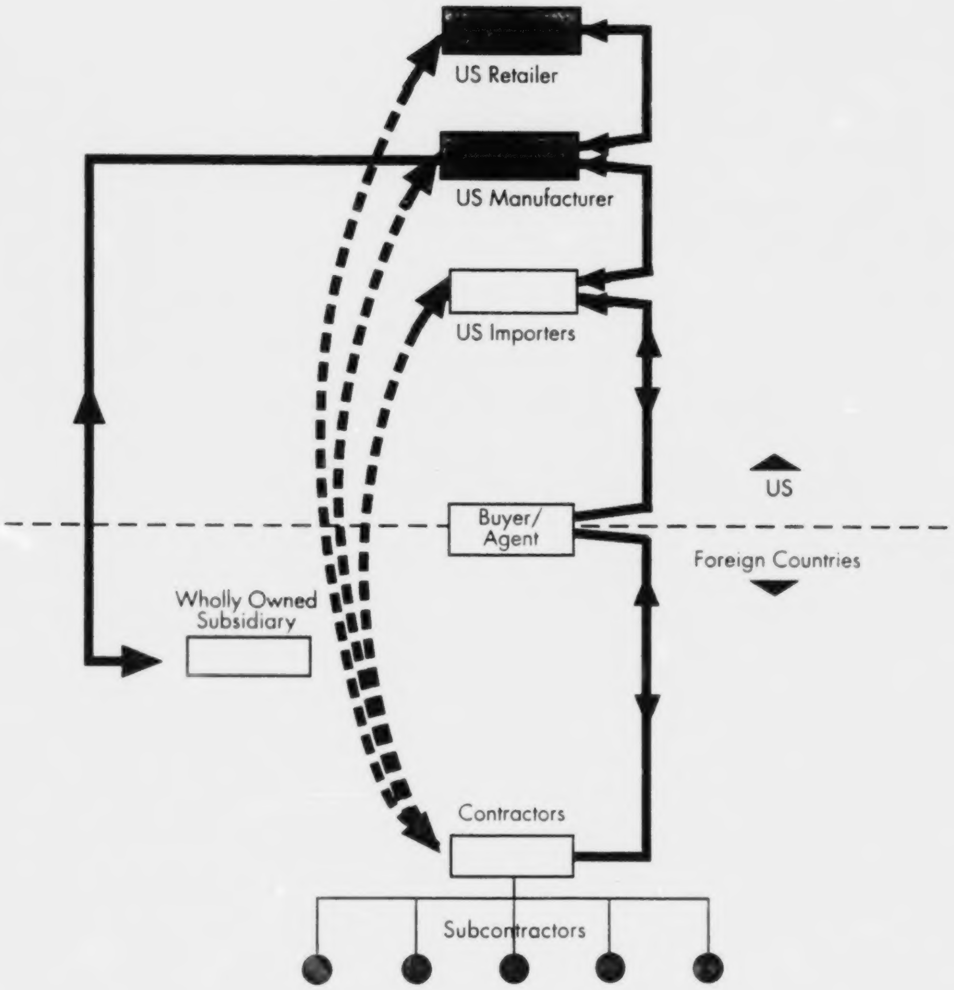
[30] *Ibid.*

[31] Carol Warfield, Mary Barry, and Dorothy Cavender, "Apparel Retailing in the USA Part I," *Textile Outlook International* (March 1995) 38 [hereinafter Apparel Retailing in the USA, Part I]. *See also* Forces Behind Restructuring at 25.

[32] Trevor A. Finnie, "Outlook for the U.S. Apparel Industry," *Textile Outlook International* (November 1995) 92 [hereinafter Outlook for the U.S. Apparel Industry].

FIGURE II 1

Structure of Apparel Importing Relationships


US Retailer
US Manufacturer
US Importers
US
Buyer/ Agent
Foreign Countries
Wholly Owned Subsidiary
Contractors
Subcontractors

creasingly volatile consumer demand to growing numbers of new products, the rise of fashion-consciousness for even the lowest-cost apparel, and more selling seasons.[33]

In response, retailers are increasingly utilizing new technology to facilitate communication with suppliers and speed the distribution of goods.[34] Apparel manufacturers who wish to remain competitive are having to reduce cycle times for apparel design, manufacture and delivery. Many manufacturers have adopted "quick response" manufacturing systems that allow retailers to trim inventory, respond more quickly to changes in consumer preferences, replenish stock almost continually, and offer a wider choice of clothing styles.

Ebbing consumer demand, combined with higher raw-material costs, have in turn placed increased pressures on apparel manufacturers.[35] Unable to pass higher costs onto consumers in a market with excess supply, both apparel manufacturers and retailers have been squeezed by lower margins.[36] As retailers have gained growing bargaining power through consolidations, apparel manufacturers have had to absorb higher costs and live with lower profit margins in order to maintain production.[37] Because of these competitive pressures, apparel manufacturers have also undergone considerable restructuring and consolidation in recent years.[38] It is usually the larger manufacturers that can afford the capital investment necessary to successfully adopt more flexible, "quick response" systems.[39]

In this increasingly competitive environment, the lines between apparel retailers and manufacturers are being blurred as each takes on new roles and enters new aspects of the garment industry. Many retailers, for example, have entered product development and manufacturing as they develop their own private labels. In some cases, department stores and other retailers are directly contracting goods from the same factories used by the brand-name producers from which they buy.[40]

At the same time, many of the most successful apparel manufacturers and merchandisers have become vertically integrated through the retail level.[41] Many apparel manufacturers, in an effort to generate more sales, are opening factory outlets.[42] These outlets are a rapidly growing retail distribution channel in the U.S., and are used by manufacturers to showcase their merchandise, test market new products and distribute excess production.[43] Having retail outlets gives apparel manufacturers more control over their own distribution and sales.[44]

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[33] Dynamic Change in the Garment Industry at 2.

[34] *Ibid.*

[35] Kurt Salmon Associates, "No Quick Fix for '96," *Bobbin*, vol.37, no.4 (December 1995) 68 [hereinafter No Quick Fix]. *See also* Outlook for the US Apparel Industry at 71.

[36] *Ibid.*

[37] Outlook for the US Apparel Industry at 71, 73; Forces Behind Restructuring at 25.

[38] Outlook for the US Apparel Industry at 82.

[39] *Ibid.* at 77.

[40] Jules Abend, "Private Labels, Brands Square Off," *Bobbin*, vol. 36, no. 10 (June 1995) 68.

[41] Outlook for the US Apparel Industry at 84.

[42] Forces Behind Restructuring at 26.

2. United States Apparel Imports

More than half of the $178 billion worth of garments sold at the retail level in the U.S. in 1995 was imported.[45] By comparison, domestically produced apparel accounted for 70 percent of apparel sold to U.S. consumers as recently as 1980.[46] The U.S. apparel manufacturing industry, which employed an all-time high of 1.45 million workers in 1973, supported 853,000 U.S. jobs as of May 1996.[47] In 1995, the industry included 24,570 establishments, averaging 40 employees each, and produced $87 billion of garments at retail prices.[48]

United States apparel imports have been increasing steadily since the 1970s. The U.S. imported nearly $34.7 billion worth of apparel in 1995. During the period 1985-1995, the value of U.S. apparel imports in current dollars increased by 171 percent (see Table II-1).

TABLE II-1

U.S. Apparel Imports, 1985-1995
(In millions of current U.S. dollars)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	% Total Trade 1985	% Total Trade 1995
Total	12,785	15,147	18,036	18,184	21,047	21,937	22,595	26,713	28,218	31,368	34,649	100.0	100.0
Asia	9,318	10,907	13,943	13,505	15,763	16,232	16,430	18,879	19,006	20,382	20,995	72.9	60.6
Americas	1,887	2,291	1,847	2,405	2,891	3,111	3,855	5,092	6,170	7,369	9,439	14.8	27.2
Europe	1,424	1,725	1,954	1,907	1,932	1,969	1,681	1,811	1,889	2,269	2,670	11.1	7.7
Australia New Zealand	11	19	28	24	26	37	56	42	42	49	55	0.1	0.2
Middle East Africa	141	192	251	336	431	584	570	884	1,081	1,313	1,485	1.1	4.3

Under domestic law and the rules of the international Multifiber Arrangement (MFA) of the General Agreement on Tariffs and Trade (GATT), the United States has limited the growth of apparel imports for more than three decades through the negotiation of bilateral textile and apparel quota agreements. The agreement establishing the World Trade Organization (WTO), however, provides for a 10-year phase-out of the MFA beginning in January 1995. Resulting reductions in tariffs and the eventual elimination of the MFA system of textile and apparel quotas are likely to accelerate increases in garment imports.[49]

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[43] Apparel Retailing in the USA - Part I at 52.

[44] *Ibid.*

[45] American Apparel Manufacturers Association, *News Release*, June 1996.

[46] *Focus: An Economic Profile of the Apparel Industry* (American Apparel Manufacturers Association, 1995) 3.

[47] Dynamic Change in the Garment Industry at 2.

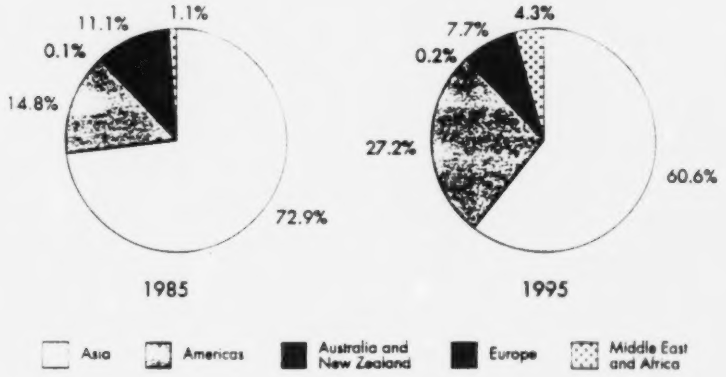
[48] American Apparel Manufacturers Association, *News Release*, June 1996.

a. Imports by Source

The United States imports apparel from all regions of the world. In 1995, Asian countries accounted for 61 percent of the value of total U.S. imports of apparel, countries in the Americas accounted for 27 percent, European countries for 8 percent, and other countries for 4 percent. (See Table II-1 and Figure II-2).

FIGURE II-2

U.S. Apparel Imports, by Region
(current dollar value in percentage share)



Source: U.S. Department of Commerce, Office of Textiles and Apparel, Major Shippers Report

In 1995, Hong Kong was the largest source of U.S. apparel imports, accounting for $4.2 billion or 12.1 percent of total U.S. apparel imports. The next four largest sources of U.S. apparel imports in 1995 were China ($3.5 billion or 10.2 percent), Mexico ($2.6 billion or 7.4 percent), Taiwan ($2.0 billion or 5.9 percent), and the Dominican Republic ($1.7 billion or 5.0 percent). Figure II-3 shows the top 25 sources of U.S. apparel imports in 1995. In 1995, 168 countries exported apparel to the United States (See Appendix E).

b. Imports by Type of Importer

Garment manufacturers and retailers increasingly have resorted to imports from lower cost producers to retain their competitive edge in the United States market. Retailers are developing global alliances with suppliers and directly sourcing brand-name and private-label merchandise domestically and internationally.[50] Many of the largest retailers also have become the largest importers of apparel. In 1993,

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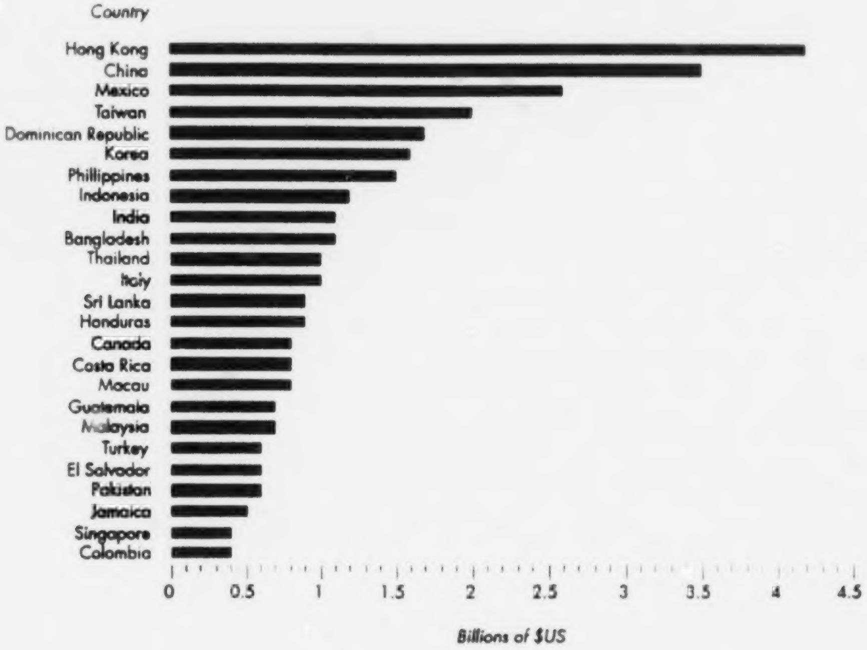
[49] Trends in US and EU Textile and Clothing Imports at 80

[50] Apparel Retailing in the USA - Part I at 38-9.

FIGURE II-3

Top 25 Sources of U.S. Apparel Imports, 1995



Source: U.S. Department of Commerce, Office of Textiles and Apparel, Major Shippers Report

retailers accounted for 48 percent of the total value of imports of the top 100 garment importers, according to the U.S. Customs Service.[51]

Apparel manufacturers and retailers are also increasingly turning to low-cost suppliers abroad to supplement their U.S. production. In some cases, manufacturers contract out apparel assembly operations to overseas contractors. In other cases, U.S. apparel manufacturers have shifted production abroad to take advantage of lower costs and, in some cases, preferential trade programs. To maintain market share, many U.S. apparel manufacturers are expanding their garment assembly activities in Mexico and the Caribbean Basin to take advantage of preferential trade programs.[52]

The North American Free Trade Agreement (NAFTA) provides reduced or duty-free entry and eliminates most quotas for apparel products from Mexico and Canada that meet certain rules of origin. Under the Special Regime Program, apparel assembled in Mexico from U.S.-formed and cut fabric is allowed quota-free and duty-free entry into the United States market. Finally, under the Special Access Program for the Caribbean, also known as the 807A Program, certain apparel products assembled in participating countries from fabric wholly formed and cut in the U.S. are afforded quota-free entry and preferential duties upon re-entry into the United States.[53]

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[51] Forces Behind Restructuring at 25.

[52] *Ibid.*

3. Globalization and Working Conditions in Exporting Countries

The cost of producing clothing is largely determined by two components — the costs of labor and, to a lesser extent, materials. Clothing production is therefore prone to relocation to countries where labor costs are lower, with the exception of producers who escape cost competition through "up-market" strategies.[54]

The ILO has commented on the effect that increasing competition has had on working conditions in the mass segment of the market:

> ...the competition between an increasing number of developing countries to win contracts has a downward effect on wages and working conditions in enterprises specialized in providing low-range articles — for which the production cost must be as low as possible. Only by filling a slot in the market for higher-range goods can these enterprises break out of this vicious circle in which production costs must be compressed for them to remain competitive.[55]

Some of the newest entrants in the producer market, which are attracting foreign investors, have mainly developed labor-intensive sewing and assembly activities.[56] While some of these newest producer countries currently may be small suppliers to the U.S. market, they may also be the location of troubling labor practices.[57]

D. Codes of Conduct of the Largest U.S. Retailers and Manufacturers of Apparel

1. Survey of U.S. Retailers and Manufacturers of Apparel

In order to gather information on the extent and implementation of U.S. garment importers' codes of conduct containing child labor provisions, the Department of Labor conducted a voluntary survey of the largest U.S. retailers and apparel

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[53] Brenda A. Jacobs, "One From Column B: Choosing the Right Trade Program," *Bobbin*, Supplemental Guide on How to do Business in Latin America (1995) 2.

[54] ILO Textile Report at 16.

[55] *Ibid.* at 7, 21.

[56] *Ibid.* at 7.

[57] For example, a U.S. Embassy official who recently toured a Cambodian garment factory found "problematic" working conditions, including workers who appeared to be under age (but who claimed to be above the minimum working age of 16) and forced, unremunerated overtime. American Embassy-Phnom Penh, unclassified telegram no. 2594, September 16, 1996.

BOX 1.1

Top Retailers & Apparel Manufacturers

Apparel Manufacturers	Sales
1. Sara Lee Corporation	$7.151 billion
2. Levi Strauss & Co.	$6.708 billion
3. VF Corporation	$5.062 billion
4. Fruit of the Loom	$2.403 billion
5. Liz Claiborne	$2.082 billion
6. Phillips-Van Heusen	$1.464 billion
7. Kellwood Company	$1.365 billion
8. Russell Corporation	$1.153 billion
9. Warnaco Group	$ 916 million
10. Nike, Inc.	$ 897 million
11. Jones Apparel Group	$ 776 million
12. Oxford Industries	$ 657 million
13. Hartmarx Corporation	$ 595 million
14. Tultex Corporation	$ 585 million
15. Salant Corporation	$ 501 million

Department Stores	Sales
1. Sears Roebuck & Company	$31.035 billion
2. JCPenney Company	$20.562 billion
3. Federated Department Stores	$15.049 billion
4. May Department Stores	$10.507 billion
5. Montgomery Ward Holding Company	$ 7.085 billion
6. Dillard Department Stores	$ 5.918 billion
7. Nordstrom	$ 4.113 billion
8. Mercantile Stores Company	$ 2.944 billion
9. Kohl's Corporation	$ 1.926 billion
10. Neiman Marcus Group	$ 1.888 billion

Mass Merchandisers	Sales
1. Wal-Mart Stores	$93.627 billion
2. Kmart Corporation	$34.389 billion
3. Dayton Hudson Corporation	$23.516 billion
4. Price/Costco	$17.906 billion
5. Waban Inc.	$ 3.978 billion
6. Ames Department Stores	$ 2.120 billion
7. Venture Stores	$ 1.929 billion
8. Shopko Stores	$ 1.853 billion
9. Dollar General Corporation	$ 1.764 billion
10. Family Dollar Stores	$ 1.547 billion

BOX II-1 (CONT.)

Top Retailers & Apparel Manufacturers

Specialty Stores	Sales
1. Woolworth Corporation	$8.224 billion
2. The Limited	$7.881 billion
3. The Marmaxx Group	$4.448 billion
4. The Gap	$4.395 billion
5. Burlington Coat Factory	$1.585 billion
6. Ross Stores, Inc.	$1.426 billion
7. The Talbots, Inc.	$ 981 million
8. Stage Stores, Inc.	$ 683 million
9. County Seat Stores, Inc.	$ 619 million
10. The Dress Barn, Inc.	$ 501 million

Non-Store/Direct Apparel Marketers	Sales
1. Spiegel, Inc.	$2.886 billion
2. Home Shopping Network, Inc.	$1.019 billion
3. Land's End, Inc.	$1.031 billion

(Source: Kurt Salmon Associates, *Financial Profile for Fiscal Year 1995*, July 1996)

manufacturers, based on 1995 annual sales figures.[58] The companies included in the survey were chosen on the basis of public annual sales data obtained from Kurt Salmon Associates (KSA), a consulting firm specializing in retailing, apparel, textiles, and other consumer products.[59]

A questionnaire on import sourcing and child labor policies was sent to the 48 U.S. retailers and manufacturers of apparel listed in Box II-1. (See Appendix B for a copy of the questionnaire.) Survey recipients included the largest companies in the following categories: apparel manufacturers, department stores, mass merchandisers, specialty stores, and non-store direct marketers (mail order and electronic home shopping). This chapter's analysis of codes of conduct is based primarily on information voluntarily provided by the companies surveyed.

2. Survey Response

Forty-five companies responded to the survey.[60] Of the 45 responses, 42 were reportable because three companies regard all information provided as confidential.[64]

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[58] Retailers' sales figures are total sales, not limited to apparel sales.

[59] Kurt Salmon Associates, *Financial Profile for Fiscal Year 1995* (July 1996). The *Profile* includes only those companies that file public documents with the Securities and Exchange Commission (SEC).

[60] The three companies that did not respond are County Seat, May Department Stores and Neiman Marcus Group.

Many respondents indicated that they are significant importers — some importing more than half of the merchandise they sell — while others said that their dependence on imports was much lower, in some cases less than 10 percent. Nearly all respondents are direct importers of apparel, i.e., they purchase apparel directly from abroad for their own account. Most are also indirect importers, i.e., they purchase products domestically that have been manufactured overseas and imported into the U.S. by another party.

a. Manufacturers

Of the 15 manufacturers who responded, all but three (Nike, Inc., Liz Claiborne and Russell Corporation) own or have ownership interest in overseas production facilities. Most of these facilities are in Latin America, Mexico, Canada and the Caribbean, but a few are in Asia (China, Sri Lanka, and the Philippines). Some of the manufacturers (Oxford Industries, Sara Lee Corporation, and VF Corporation) indicated that the majority of their imports come from wholly owned plants. Virtually all of the manufacturers surveyed also contract out at least some of their overseas production to non-company-owned facilities. Some manufacturers have close ties to certain contractors, and account for a large share, if not all, of the merchandise that they manufacture. In other cases, they may use a contractor facility for only a short time, and account for a small share of that manufacturer's production.

Some of the manufacturers referred to the advantages of spreading their production across many countries in order to avail themselves of available import quota. Nike, Inc. ("Nike") for example, stated that it is constantly seeking out new apparel suppliers due to the limited amount of quota available in each country for importing apparel into the United States. Others indicated that they source from only a few countries.

Most of the manufacturers also use local buying agents. Only three (Levi Strauss & Co., Fruit of the Loom, and Nike) specifically stated that they do not use buying agents. A few manufacturers indicated that they mainly use buying agents in countries where they do not have their own production facilities or extensive knowledge of the countries' garment industry.

b. Retailers

None of the retailers responding to the survey indicated that they own or have an ownership interest in overseas production facilities. Many of them import from a very large number of suppliers and contractors in many countries. JCPenney Company, for example, contracts with more than 2,000 suppliers in more than 80 countries. Retailers who sell private-label merchandise often deal directly with overseas contractors, who manufacture merchandise to their specifications. Other retailers, who do not carry private label garments, indicated that they purchase imported goods that are already made from a variety of suppliers in the U.S. or abroad.

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[64] These three companies are Kohl's Corporation, the Marmaxx Group and Shopko Stores.

Several of the retailers surveyed (Ames Department Stores, Dress Barn, Inc., Home Shopping Network, Inc., Mercantile Stores Company, Ross Stores, Inc., Stage Stores, Inc.,[62] Venture Stores and Woolworth Corporation) indicated that they purchase all or most imports through one or more buying agents or suppliers located in the U.S. and/or abroad. One retailer (BJ's Wholesale Club, a division of Waban, Inc.) indicated that it only buys imported apparel domestically from wholesalers and distributors.

3. Survey Results

Of the 42 companies that provided reportable responses to the survey, 36 have adopted some form of policy specifically prohibiting the use of child labor in overseas production facilities. Thirty-four have developed their own policies, and two have adopted the policy of their association or buyer. Appendix C contains the current codes, policies and other documents that were provided by survey respondents.[63]

a. Manufacturers

Questionnaires were sent to 15 garment manufacturers, all of which responded (Box II-2).

- All 15 manufacturers — Fruit of the Loom, Hartmarx Corporation, Jones Apparel Group, Kellwood Company, Levi Strauss & Co., Liz Claiborne, Nike, Inc., Oxford Industries, Phillips-Van Heusen, Russell Corporation, Salant Corporation, Sara Lee Corporation, Tultex Corporation, VF Corporation and Warnaco Group — have adopted some form of policy prohibiting child labor in overseas production facilities.
    - Fourteen of the 15 manufacturers have developed their own policies, most of which are in the form of codes of conduct, statements of principles, vendor requirements, or terms of engagement.
    - Hartmarx subscribes to a "Statement of Responsibility" developed by the American Apparel Manufacturers' Association (AAMA), which contains a provision on child labor.
- Two manufacturers — Levi Strauss & Co. ("Levi Strauss") and Warnaco Group ("Warnaco") — also have guidelines for selecting the countries where they produce garments based on political, social and human rights concerns, among others. Levi Strauss, for example, does not do business in Burma.[64]

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[62] Stage Stores, Inc. ("Stage Stores") is the new name of Specialty Retailers, to whom the original questionnaire was sent.

[63] Appendix C does not contain those policies that respondents designated confidential.

[64] *International Child Labor Hearing*, U.S. Department of Labor (June 28, 1996)(Statement of Levi Strauss). Spiegel, Inc. ("Spiegel") and Liz Claiborne, while they do not have formal guidelines for country selection, said in telephone interviews that they decided to sever contracts with producers in Burma because of human rights violations.

BOX II-2

Apparel Manufacturers

Fruit of the Loom
Hartmarx Corporation
Jones Apparel Group
Kellwood Company
Levi Strauss & Co.
Liz Claiborne
Nike, Inc.
Oxford Industries
Phillips-Van Heusen
Russell Corporation
Salant Corporation
Sara Lee Corporation
Tultex Corporation
VF Corporation
Warnaco Group

b. Department Stores

Questionnaires were sent to 10 department stores, eight of which responded (Box II-3).[65] Seven of the eight responses were reportable.[66]

- Six of the seven department stores that provided reportable responses to the survey — Dillard Department Stores, Federated Department Stores, JCPenney,

BOX II-3

Department Stores

Dillard Department Stores
Federated Department Stores
JCPenney Company
Kohl's Corporation *(Response not reportable)*
May Department Stores *(Did not respond)*
Mercantile Stores Company
Montgomery Ward Holding Company
Neiman Marcus Group *(Did not respond)*
Nordstrom
Sears Roebuck & Company

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[65] Neiman Marcus and May Department Stores did not respond to the survey.

[66] Kohl's Corporation responded to the survey but regards all information provided as confidential.

Mercantile Stores Company, Nordstrom and Sears Roebuck & Co. — have adopted some form of policy statement that specifically addresses child labor in overseas production facilities.

  - All of the seven have developed their own policies on this subject.

- Montgomery Ward said that it does not tolerate the use of child labor in the manufacture of imported goods, but did not provide the Department of Labor with documentation of a formal policy. The Company subscribes to the National Retail Federation's code, which does not specifically mention child labor.

c. *Mass Merchandisers*

All 10 mass merchandisers who were sent questionnaires responded (Box II-4). Nine of the responses were reportable.[97]

- Six mass merchandisers — Dayton Hudson Corporation, Dollar General Corporation,[98] Kmart Corporation, Price/Costco, Inc., Venture Stores and Wal-Mart Stores — have adopted policies specifically addressing child labor in overseas production facilities.
  - All of these six have developed their own policies on child labor.
- Three mass merchandisers — Ames Department Stores, Family Dollar Stores and Waban, Inc. — indicated that they do not have a policy specifically addressing child labor in overseas facilities.

BOX II-4

Mass Merchandisers

Ames Department Stores
Dayton Hudson Corporation
Dollar General Corporation
Family Dollar Stores
Kmart Corporation
Price/Costco
Shopko Stores *(Response not reportable)*
Venture Stores
Waban Inc.
Wal-Mart Stores

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[97] Shopko Stores responded to the survey but regards all information provided as confidential.

[98] Dolgencorp, a Dollar General subsidiary that imports apparel, responded on behalf of Dollar General.

- Ames Department Stores ("Ames") indicated that all purchase orders issued on behalf of Ames or any of its affiliates require compliance with, among other laws, the U.S. Fair Labor Standards Act (FLSA) and the "Federal Child Labor Act."[69] It is not clear whether Ames' purchase orders contain any language on international production.

- Family Dollar Stores ("Family Dollar") indicated that its purchase orders include a requirement that vendors comply with all labor laws. The company also indicated that it utilizes the National Retail Federation's (NRF) "Statement of Principles on Supplier Legal Compliance," which does not contain a provision specifically addressing child labor.

- Waban, Inc. ("Waban") indicated that it does not have a code of conduct regarding labor practices in overseas production, but generally requires that vendors comply with all applicable laws.

d. Specialty Stores

Surveys were sent to ten specialty stores, nine of which responded (Box II-5).[70] Of the nine responses, eight were reportable.[71]

- Six specialty stores — the Dress Barn, Inc., The Gap, The Limited, Stage Stores, The Talbots, Inc. and Woolworth Corporation — indicated that they have adopted policies specifically addressing child labor in overseas production facilities.

BOX II-5

Specialty Stores

Burlington Coat Factory
County Seat Stores, Inc. *(Did not respond)*
Ross Stores, Inc.
Stage Stores, Inc.
The Talbots, Inc.
The Limited
The Dress Barn, Inc.
The Gap
The Marmaxx Group *(Response not reportable)*
Woolworth Corporation

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[69] There is no Federal Child Labor Act. Child labor provisions of federal law are contained in the FLSA.

[70] County Seat did not respond to the survey.

[71] The Marmaxx Group (formerly known as TJ Maxx) responded, but regards all information provided as confidential.

    - Of the six, all but Stage Stores have developed their own policy. Stage Stores indicated that it purchases all imported merchandise through the Associated Merchandising Corporation (AMC) and uses AMC's code, which contains a provision on child labor. Stage Stores also stated that it is in the process of developing its own code.

- Two specialty stores — Burlington Coat Factory and Ross Stores, Inc. — do not have a policy specifically addressing child labor in overseas production facilities.

    - Burlington Coat Factory does not have a policy specifically addressing child labor in overseas production facilities, but does have a provision in its purchase orders requiring vendors to comply with all applicable laws, including the Fair Labor Standards Act.

    - Ross Stores has guidelines in its purchase orders that require compliance with all applicable federal, state and local laws and regulations, including the federal child labor law,[72] but these guidelines do not appear to address international production. Ross Stores is currently reviewing its importing process, however, and considering revising its "Conditions of Contract."

e. Non-Store/Direct Apparel Marketers

All three Non-Store/Direct Apparel Marketers who were surveyed responded (Box II-6).

- Home Shopping Network, Land's End, Inc. and Spiegel all have developed their own policies specifically addressing child labor in overseas production.

BOX II-6

Non-Store/Direct Apparel Marketers

Home Shopping Network, Inc.
Land's End, Inc.
Spiegel, Inc.

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[72] As noted earlier, child labor provisions of federal law are contained in the FLSA.

E. Development of Apparel Industry Codes of Conduct

1. Form and method of development of codes of conduct

The form that companies' policies take, and how they were developed, varies widely from company to company:

- Some companies have developed special documents (which they typically refer to as "codes of conduct") outlining their values, principles and guidelines in a variety of areas, including child labor. These documents are a means for companies to clearly and publicly state the way in which they intend to do business to their suppliers, customers, consumers and shareholders. Some are intended for wide distribution, including posting in workplaces.

- Other companies surveyed do not have a formal code of conduct, but have circulated letters stating their policies on child labor to all suppliers, contractors and/or buying agents.

- Compliance certificates are yet another vehicle used by companies to state their policies regarding child labor. These certificates generally require suppliers, buying agents, or contractors to certify in writing that they abide by the company's stated standards prohibiting the employment of children.

- Still others state their child labor policies in formal documents such as purchase orders or letters of credit, making compliance with the policy a contractual obligation for suppliers.

- Some companies have both formal codes of conduct and contractual clauses or a certification form. Others' policies on child labor are exclusively contained in contracts or certification forms rather than in a formal code of conduct.

There are also differences among companies in how they have created their codes of conduct. Some of the pioneer companies in establishing codes of conduct designed their own codes independently, based on their needs and experiences and sometimes drawing on existing models such as multilateral codes of conduct (e.g., ILO and OECD), private sector initiatives (e.g., the maquiladora standards), and internationally-recognized labor standards set by the ILO. United States corporations that have adopted codes of conduct more recently have benefitted from the experiences of corporations that took this path earlier. In other instances, companies reported that they utilize the code of conduct or policy of a trade association or buying agent — either in lieu of, or in addition to, their own.

Based on the information provided by the respondents to the survey, including follow-up telephone interviews:

- Thirty-three out of 42 companies that provided reportable responses have corporate codes of conduct, statements of principles, or compliance certifi-

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cates specifically addressing child labor in overseas production;[73]

- Twelve respondents do the same through contract requirements contained in purchase orders, letters of credit, or buying agent agreements;
- Nine respondents use a combination of both type of policy; and
- Six respondents have no policy on overseas child labor.

Table II-2 shows what type of policy has been adopted by respondents. It should be noted that the categorization in Table II-2 is based upon the information provided by the respondents to the Department of Labor. Policies may also have evolved since the time of the survey and follow-up interviews.

The survey results also suggest that the development of codes of conduct is a dynamic field, with quite a bit of experimentation going on:

- Some companies have policies that are applied to both domestic and international production, while others have policies that only refer to domestic production and have not yet developed a comparable policy for overseas manufacturing.
- Many of the companies have recently revised their codes of conduct or policies, usually expanding them to include new features, such as implementation strategies. These revisions reflect the fact that many companies are learning how to promote and implement a code as they go along.
- Several companies indicated that they are in the process of reviewing their existing code or considering the introduction of a code.

2. Basic Elements/Standards of Codes of Conduct

Corporate codes that address labor standards vary from company to company with regard to the specific labor standards included. All or some of the following elements are found in various corporate codes:

- prohibitions on child labor;
- prohibitions on forced labor;
- prohibitions on discrimination based on race, religion, or ethnic origin;
- requirements to ensure the health and safety of the workplace environment;
- provisions on wages, usually based on local laws regarding minimum wage or prevailing level in the local industry;

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[73] Includes companies that subscribe to another organization's code (that of an association or buyer)

TABLE II-2

Type of Policy Prohibiting Child Labor (Based on Responses to Department of Labor Questionnaire)

	Code or Statement of Principles [a]	*Purchase Order Requirement* [b]	*None* [c]
Ames Deparment Stores			•
Burlington Coat Factory			•
County Seat Stores, Inc.*			
Dayton Hudson Corporation	•		
Dillard Department Stores	•	•	
Dollar General Corporation		•	
The Dress Barn, Inc.	•		
Family Dollar Stores			•[1]
Federated Department Stores	•		
Fruit of the Loom	•		
The Gap	•		
Hartmarx Corporation	•[2]		
Home Shopping Network, Inc.	•	•	
JC Penney Company	•		
Jones Apparel Group	•		
Kellwood Company	•		
Kmart Corporation	•	•	
Kohl's Corporation**			
Land's End, Inc.	•		
Levi Strauss & Co.	•	•	
The Limited	•		
Liz Claiborne	•		
The Marmaxx Group**			
May Department Stores*			
Mercantile Stores Company	•		
Montgomery Ward Holding Company			•[3]
Neiman Marcus Group*			

TABLE II-2 (CONT.)

	Code or Statement of Principles [a]	*Purchase Order Requirement* [b]	*None* [c]
Nike, Inc.	●		
Nordstrom	●	●	
Oxford Industries	●		
Phillips-VanHeusen	●		
Price/Costco		●	
Ross Stores, Inc.			●
Russell Corporation	●		
Salant Corporation	●		
Sara Lee Corporation	●	●	
Sears Roebuck & Company	●	●	
Shopko Stores**			
Spiegel, Inc.	●		
Stage Stores, Inc.	●[4]		
The Talbots, Inc.	●	●	
Tultex Corporation	●		
Venture Stores	●	●	
VF Corporation	●		
Waban Inc.			●
Wal-Mart Stores	●		
Warnaco Group	●		
Woolworth Corporation		●	

** No response received.*
*** Designated as business confidential and therefore information not reportable.*

[a] Company has a formal code of conduct, statement of principles or compliance certificate.
[b] Company has a purchase order, letter of credit, or buying agent agreement, which contains a specific prohibition on child labor in overseas production.
[c] Company has no specific prohibition on child labor in overseas production in any document, although it may have a general reference to compliance with all applicable laws or U.S. labor laws in its purchase order.

[1] Company subscribes to the National Retail Federation (NRF) code, which does not specifically mention child labor.
[2] Company subscribes to the American Apparel Manufacturers Association (AAMA) code.

TABLE II-2 (CONT.)

[3] Company says that it does not tolerate the use of child labor in the manufacture of imported goods and has put its vendors on notice that they are bound by that policy, but did not provide any documentation. Also subscribes to NRF code, which does not specifically mention child labor.
[4] Company subscribes to the Associated Merchandising Corporation (AMC) code.

- provisions regarding limits on working hours, including forced overtime, in accordance with local laws; and

- support for freedom of association and the right to organize and bargain collectively.

3. Definitions

Although many of the corporate codes of conduct address the same set of labor standards, there are significant differences on how these standards are defined. In some instances, the corporate codes follow international definitions of labor standards (e.g., those promulgated in ILO Conventions). In other instances, the corporate codes of conduct themselves define the standard. In still other instances, the codes of conduct do not provide any guidance on the definition of the standard.

Almost all of the companies responding to the survey have a general policy requiring their business partners to comply with all applicable laws and standards of the host country and/or industry. Most of the companies' child labor policies also define what is meant by child labor and require that business partners comply with this standard.

However, the definition of child labor varies from company to company. For example, a company's policy statement may: (1) state a minimum age that must be met by all employees who produce their products, (2) refer to the national laws of the host country regarding the minimum age of employment or compulsory schooling, (3) refer to international standards,[34] or (4) use some combination of the three. In some cases, companies' policies prohibiting child labor in the production of their goods do not contain any definition of child labor at all, leaving the standard open for interpretation by their business partners. Table II-3 describes how respondents to the survey define child labor in their policies.

a. Minimum Age

- The policies of three of the respondents — Salant Corporation, Sara Lee

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[34] Appendix F contains ILO Convention 138 on Minimum Age for Employment — the most commonly cited international standard on child labor.

TABLE 3

Company Definitions of Child Labor
(Based on Responses to Department of Labor Questionnaire)

Company	Own Definition [a]	Law of Host Country [b]	International Standard [c]	No Definition [d]
Ames Department Stores				●
Burlington Coat Factory				●
County Seat Stores, Inc.*				
Dayton Hudson Corporation	(14)	●		
Dillard Department Stores		●		
Dollar General Corporation			●	
The Dress Barn, Inc.	(15)	●		
Family Dollar Stores				●
Federated Department Stores		●		
Fruit of the Loom	(15) and not under compulsory age of schooling	●		
The Gap	(14)	●		
Hartmarx Corporation				●
Home Shopping Network, Inc.		●		
JCPenney Company		●		
Jones Apparel Group		●	●	
Kellwood Company	(14) and not under compulsory age of schooling	●		
Kmart Corporation				●
Kohl's Corporation**				
Land's End, Inc.		●		
Levi Strauss & Company	(14) and not under compulsory age of schooling	●		
The Limited		●		
Liz Claiborne	(15)	●		
The Marmaxx Group**				
May Department Stores*				

TABLE 3 (CONT.)

Company	Own Definition[a]	Law of Host Country[b]	International Standard[c]	No Definition[d]
Mercantile Stores Company		•		
Montgomery Ward Holding Company				•
Neiman Marcus Group*				
Nike, Inc.		•		
Nordstrom	not under compulsory age of schooling	•		
Oxford Industries		•		
Phillips-Van Heusen	(14)	•		
Price/Costco		•		
Ross Stores, Inc.				•
Russell Corporation		•		
Salant Corporation	(16)	•		
Sara Lee Corporation	(16)	•		
Sears Roebuck & Company		•		
Shopko Stores**				
Spiegel, Inc.		•	•	
Stage Stores, Inc.	(14) not under compulsory age of schooling[2]	•		
The Talbots, Inc.	(15)	•		
Tultex Corporation		•		
Venture Stores		•		
VF Corporation	(14) not under compulsory age of schooling	•		
Waban Inc.				•
Wal-Mart Stores	(15) not under compulsory age of schooling	•		
Warnaco Group	(16) not under compulsory age of schooling	•		
Woolworth Corporation				•

TABLE II-3 (CONT)

** No response received.*
*** Designated as business confidential and therefore information not reportable.*

[a] The company's policy specifies a minimum age and/or other specific definition of child labor.
[b] The company refers to the host country's law in defining child labor.
[c] The company refers to an international standard - most often United Nations conventions - to define child labor.
[d] The company has no policy on child labor, or has a policy but does not define child labor, or subscribes to the National Retail Federation (NRF) code, which does not mention child labor.

[1] Company subscribes to the American Apparel Manufacturers Association (AAMA) code, which mentions but does not define child labor.
[2] Company subscribes to the Associated Merchandising Corporation (AMC) code.

Corporation[75] and Warnaco[76] — require that workers producing goods for them be at least 16 years of age.

  - Salant Corporation's ('Salant') policy, which is in the form of a Vendor Compliance Certificate, also requires vendors to comply with all applicable child labor laws, rules and regulations.

  - Warnaco also requires that workers be older than the compulsory age to be in school.

- Dress Barn, Inc. ('Dress Barn'), Fruit of the Loom, Liz Claiborne, The Talbots, Inc. ('Talbots') and Wal-Mart ('Wal-Mart') all require that workers in facilities that produce for them be at least 15 years of age.

  - Dress Barn similarly refers to the higher of local law and age 15.

  - Fruit of the Loom also requires that workers be over the age of compulsory schooling in the country of manufacture.

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[75] In a clause Sara Lee Corporation ('Sara Lee') provided from an agreement with a former buyer agent, however, Sara Lee required compliance with national laws on child labor. Furthermore, a Sara Lee supplier in the Dominican Republic (BRATEX Dominicana) provided a Department of Labor official with Sara Lee's "Supplier Selection Guidelines," which state that Sara Lee will not procure goods or services from firms employing workers under age 15.

[76] This is the standard contained in Warnaco's Business Partner Terms of Engagement, which is used only for contractors' facilities. For its wholly owned plants, Warnaco indicated that it uses U.S. labor standards with respect to all aspects of labor law excluding wages.

  - Wal-Mart first refers to the national laws of the country on minimum age and compulsory schooling, but has its own minimum age of 15 if the national laws permit work at a younger age or if national laws contain no provisions on child labor.

- Six respondents (Dayton Hudson Corporation, The Gap, Kellwood Company, Levi Strauss, Phillips-Van Heusen and VF Corporation), as well as Associated Merchandising Corporation (AMC), whose code is used by Stage Stores, require that employees in overseas facilities that produce for them be at least 14 years of age.

  - Kellwood Company ("Kellwood") also requires that workers comply with the national minimum age for employment and the compulsory age to be in school, whichever is higher.

  - Levi Strauss, VF Corporation and AMC also require that workers be over the compulsory age to be in school, if that is higher than 14.

  - Phillips-Van Heusen, Dayton Hudson Corporation and The Gap require that workers be over the applicable minimum legal age requirement in addition to being at least 14.

- Another group of respondents (Dillard Department Stores, Federated Department Stores, Home Shopping Network, JCPenney, Land's End, The Limited, Mercantile Stores Company, Nike, Oxford Industries, Price/Costco, Inc., Russell Corporation, Sears Roebuck & Co., Tultex Corporation and Venture Stores) require compliance with the applicable child labor law in the host country. Nordstrom requires that employees be over the national age for completing compulsory education.

- Other respondents (Jones Apparel Group and Spiegel) require that their business partners comply with the host country's child labor law or United Nations standards, whichever is higher. Dollar General Corporation ("Dollar General") refers to international and human rights laws recognized by the United States or the United Nations.

- Finally, the policy statements of a few respondents (Kmart Corporation and Woolworth), as well as the AAMA's "Statement of Responsibility," used by Hartmarx Corporation ("Hartmarx"), do not define child labor.

b. Additional Elements of the Child Labor Policies

Policies of some respondents go beyond prohibiting the employment of children and contain clauses specifying how the policy is to be implemented or what steps are to be taken in the case of non-compliance. In some instances, the policies also encourage additional efforts on behalf of children or youths. However, some companies that do not explicitly state these elements in their code may in practice require the same of their vendors.

- The Gap and Phillips-Van Heusen's policies both contain clauses requiring that factories not only respect a minimum age, but also comply with all applicable child labor laws, such as those relating to hiring, wages, hours worked, overtime and working conditions.

- Some companies' policies contain provisions specifying how factories are to document that none of their employees are underage, or requiring factories to make employment records available at all times for inspection.

    - The Gap, for example, requires that factories maintain official documentation verifying the date of birth for each worker or to use an "appropriate and reliable" assessment method in countries where such official documents are not available.

    - Land's End, Spiegel and VF Corporation, among others, state in their policies that they require business partners to provide them full access to their production facilities and relevant employment records.

- Several companies, including Sears Roebuck & Co. ("Sears") and Dayton Hudson Corporation ("Dayton Hudson"), indicate in their policy statements that they reserve the right to inspect the facilities where their goods are produced.

- Some policies, such as those of Federated, Kmart Corporation, and Nordstrom, set out the consequences that vendors will face if they violate the policy.

- Several companies' codes also contain clauses encouraging business partners to support special educational opportunities for young workers. Several companies' policies on child labor also include provisions in support of legitimate workplace apprenticeship programs for younger persons.

    - Dayton Hudson, Levi Strauss, VF Corporation, Wal-Mart and Warnaco, as well as AMC, whose code is used by Stage Stores, all state their support of such apprenticeship programs. Both Dayton Hudson and AMC qualify their support of apprenticeship programs with the caveat that the child must not be exploited or given jobs that are dangerous to his/her health or safety.

    - The Gap encourages factories to develop "lawful workplace apprenticeship programs for the educational benefit of their workers," as long as all participants are at least 14 and comply with the minimum legal age requirement.

    - The Gap and Phillips-Van Heusen's codes contain a clause encouraging vendors to support night classes and work-study programs for young workers.

- Four of the companies that responded to the questionnaire — Dress Barn, Levi Strauss, Liz Claiborne and Phillips-Van Heusen — provided a formal audit or survey form that contains all the information that is gathered from contractors and suppliers to determine whether they are in compliance with the company's labor policy, including the child labor provisions. These add transparency to the process in that they indicate how the companies are making their decisions on compliance.

- Levi Strauss' Guidelines contain a statement of its commitment to continuous improvement in their implementation: "As we apply these standards throughout the world, we will acquire greater experience. As has always been our practice, we will continue to take into account all pertinent information that helps us better address issues of concern, meet new challenges, and update our tools, methods and Guidelines."

F. Implementation of Apparel Industry Codes of Conduct

Fundamentally, a code of conduct relies on its credibility, the extent to which it is taken seriously by industry, unions, consumers and government.

Implementation is a crucial determinant of a code's credibility. This section will describe the various ways that companies attempt to ensure that their stated policy on child labor is adhered to in the facilities that produce their apparel overseas. It will begin with a general discussion of the challenges that companies face in implementing a code of conduct or policy with provisions on labor standards. Next, it will review the various elements of code implementation that are employed by the importers of garments who responded to the survey. These elements include efforts by manufacturers and retailers to streamline their supplier base, efforts to increase transparency of implementation, active inspection and monitoring programs, the use of certification of compliance or contractual language with suppliers and inspection, and research on prospective contractors. The section will conclude with a discussion of the various ways that the respondents have handled or plan to handle violations of their child labor policies.

1. Implementation Challenges

a. Organization of production

The challenges of implementing a child labor policy for a given company in the apparel industry differ greatly and depend on how production is organized. Generally, the closer the relationship between the importer and the company actually producing the items, the greater the ability to influence labor conditions, including prohibitions on child labor, in the production facilities. Conversely, the longer

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Report on Labour Standards in the Asia-Pacific Region (Canberra: Government of Australia Tripartite Working Party on Labour Standards, February 1996) 75-76.

the chain of production, and the more levels of contractors, subcontractors and buying agents used, the more complex and challenging is the implementation. If, however, there is commitment to effective implementation, this can be accomplished under any organization of production.

To illustrate, a manufacturing company that produces most of its imports in wholly-owned facilities abroad has more control over production conditions and can more easily implement its child labor policy than can a firm whose production takes place in the facilities of hundreds or even thousands of contractors and subcontractors. Some of the manufacturers surveyed have different policies for wholly owned plants and contractors. A manufacturer or retailer with an ongoing relationship with a contractor and that accounts for a large percentage if not all of that contractor's orders can more easily ensure its child labor policy is being respected by that contractor than can a manufacturer or retailer that only uses that contractor for an occasional order.

Retailers are often — but not always — more removed from the production process than are manufacturers. However, the large retailers, because of the enormous bargaining power they wield over suppliers, also have the ability to require vendor compliance with any child labor standard they develop. In addition, retailers that directly contract out the manufacture of private-label merchandise overseas can directly influence the labor conditions in the contractors' facilities.

Often, entities all along the garment production chain — retailers, domestic-based manufacturers, buying agents and foreign manufacturers — each have their own policy regarding child labor in overseas production. For example, members of the apparel export industry of Guatemala have developed a code of conduct intended to apply to all exporters in the country.[78] Apparel manufacturers' associations in Honduras and El Salvador are also developing their own codes of conduct. On the one hand, the development of many different codes — with differing standards on child labor — may be confusing and complicate implementation. On the other hand, the proliferation of codes creates growing opportunities for cooperation among the various actors along the supply chain in developing and implementing standards on child labor and other working condition issues.

b. Streamlining of supplier base

As discussed earlier, U.S. manufacturers and retailers often procure apparel products from hundreds, even thousands, of suppliers all over the world. These suppliers may also subcontract parts of the production to other manufacturers or sewing shops. The sheer numbers of contractors used — as well as the use of subcontractors — present definite challenges to companies with codes of conduct or policies banning the use of child labor in the production of the apparel they sell. Many companies that responded to the survey indicated that they expect subcontractors to comply with their policies, but often did not specify how this was to be achieved.

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[78] The code is called "Labor and Environmental Principles to be Observed by the Members of the Apparel and Textile Industry Commission of the Association of Exporters of Non-Traditional Products," and was developed by the Apparel and Textile Industry Commission (VESTEX). VESTEX recently retained the services of an outside auditing firm to monitor compliance of member companies with the code. Any manufacturer may choose to adopt the code, but is responsible for paying to be audited.

Some of the companies that responded to the survey have sought to tighten their control over the production process through streamlining their supplier base — limiting or even eliminating the use of subcontractors, reducing the number of contractors they use, and in some cases, establishing long-term relationships with their suppliers. While, at times, these efforts have come about as a result of the development and implementation of codes of conduct, some companies indicated that they are part of their normal business decisions and make the most sense from a quality and efficiency standpoint.

- Two manufacturers (Kellwood and VF Corporation) specifically stated that they do not allow any subcontracting because they want to control production as much as possible.

- Several respondents (Dillard Department Stores, Fruit of the Loom, The Gap, Liz Claiborne, Nordstrom, Phillips-Van Heusen, Salant, Sara Lee, Sears, Spiegel and Talbots) indicated that they do not permit contractors to subcontract any production without their prior approval.

    - Fruit of the Loom stated that, while it avoids contractors who engage in subcontracting, occasionally it must permit subcontracting because a contractor might not have the right type of equipment to perform a particular operation. In those cases where Fruit of the Loom allows subcontracting, it noted that before granting approval, the subcontractor is expected to agree in writing to Fruit of the Loom's code of conduct.

    - Some companies (Sara Lee and Talbots) reported that they prohibit the use of any subcontracting facility that they have not first inspected.

    - Liz Claiborne stated that it discourages subcontracting since it creates special problems with regard to the application of Liz Claiborne's code.

    - Some respondents (Phillips-Van Heusen and Nordstrom) stated that they submit subcontractors to the same audit and inspection procedures as contractors.

- Some respondents (Fruit of the Loom, JCPenney, and Kmart) indicated that it is the responsibility of the contractor or supplier to verify or take the necessary steps to ensure that their subcontractors are in compliance with their policy.

- Nike stated that it does not currently require its subcontractors to agree to its code of conduct, but intends to in the future.

Some companies are reducing the number of suppliers they use:

- Kmart Corporation, Liz Claiborne and Salant reported a reduction in the number of vendors they use in order to gain better control over production.

- Levi Strauss reported that, in an effort to be more efficient and to rationalize their sourcing, they have gone from about 700 contractors before introducing their code of conduct to a current level of 450 contractors. As Levi Strauss explains, "The Company is rationalizing its supplier base, with development of business partnerships based on terms of engagement, service, financial stability, community support and long-term mutual profitability, not simply low cost, as the key objective."[9]

Certain respondents stated that they encourage the development of long-term, strategic alliances with vendors:

- Kmart Corporation ("Kmart") indicated that it encourages strategic vendor alliances with established companies that produce high-quality goods and comply with all laws.

- Oxford Industries ("Oxford") said that it generally tries to establish longer-term relationships with its contractors because such relationships usually result in higher quality, more reliable delivery dates and better value for its customers. Oxford stated, however, that it is not unusual for a contractor to be used only for one program or season because of its inability to meet expectations for quality, delivery or price.

- VF Corporation noted that it usually uses buyer agents and plants that have already established a reputation with VF Corporation.

c. *Impact of textile import restrictions*

Some companies raised the issue of apparel import quotas, which limit the amount of merchandise that can be shipped into the United States, and the effects these quotas have on their choice of contractors.

- Levi Strauss stated that quotas limit its ability to freely choose foreign contractors with whom to do business, as individual foreign producers "own" and control certain allocations of quota. According to Levi Strauss, this system results in a limited choice of apparel contractors with which it can do business. Because of this limited choice, Levi Strauss stressed the importance of establishing partnerships with contractors and their communities.

- Nike said that it sources apparel products from numerous factories in several countries in order to avail itself of open quota. Nike indicated that because it must produce where quota is available, production is often limited to a short period of time at any one facility.

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[9] Levi Strauss Form 10-K report to the Securities and Exchange Commission (February 21, 1996) at 11

2. Transparency

An important issue regarding the implementation of corporate codes is their transparency, or the extent to which foreign contractors and subcontractors, workers, the public, nongovernmental organizations and governments are aware of their existence and meaning. Contractors, subcontractors, workers, and other interested parties who are familiar with codes can enhance their implementation and effectiveness. Transparency reinforces the message of codes and leads to more credible implementation. When transparency is lacking, interested parties cannot benefit fully from a code of conduct.

There are several concrete ways by which U.S. companies add transparency to the implementation of their codes of conduct:

- Some U.S. corporations hold training sessions with foreign suppliers (contractors or subcontractors) to make them aware of their code of conduct and implementation expectations. Some companies require foreign suppliers to sign a statement indicating that they have received the code of conduct and understand its meaning and implementation expectations, including possible penalties for lack of implementation.

- Some companies also train their own employees or buying agents on their code of conduct to ensure that individuals at all stages of the purchasing process are aware of its provisions.

- A small number of U.S. corporations require that the contents of their code of conduct be posted in production facilities at a location that is accessible to workers (e.g., a lunch room or entrance to locker room). In some cases, the U.S. company translates the code into the local language.

- A small number of companies solicit input from outside groups in developing and implementing their code.

a. Education Communication

Most of the respondents with child labor policies indicated that they have distributed copies of their policies to all suppliers, but few stated that they had communicated their existence to a wider audience or engaged in efforts to train those who are responsible for implementation. Many respondents stated that they did not know whether workers were aware of the existence of their codes. The following is an overview of the respondents who indicated that they had actively engaged in communicating their policies to contractors, plant managers, employees, and workers:

- Fruit of the Loom, The Gap, Spiegel, and Warnaco indicated that they go over their codes of conduct with facility managers to ensure these individuals understand them.

- Liz Claiborne stated that its Chairman periodically meets with key suppliers to emphasize the company's expectations with respect to workers' rights.

- Kellwood reported that it periodically brings foreign contractors to the U.S. to receive training, including on Kellwood's code.

- Levi Strauss also conducts educational seminars for groups of contractors.

A few respondents indicated that they have special programs to inform their own managers and/or other employees about their code or policy.

- Federated Department Stores, Levi Strauss, Nike and Oxford all stated that they train their employees on compliance requirements.

    - Federated Department Stores ("Federated") has its corporate counsel, corporate quality control and overseas offices' managerial staff conduct training.

    - Oxford, which places responsibility on its own employees to ensure compliance with its policy, reported that its managers receive training in compliance with applicable labor laws, and that its corporate human resources department and attorneys answer questions and interpret the laws.

    - Levi Strauss said that it continuously educates its employees — including merchandisers, contract managers, general managers in the sourcing countries, and other personnel at every level of the organization — on its code.

A few respondents have special training for buyers or internal auditing staff:

- Wal-Mart buyers are required to attend special internal educational seminars on how to work more closely with manufacturers to ensure their compliance.

- Levi Strauss conducts annual global training programs for its Terms of Engagement audit managers. In June 1996, for example, Levi Strauss conducted a five-day training program in the Dominican Republic for Terms of Engagement auditors and sourcing managers from around the world.

- Liz Claiborne reported that it has intensified training for sourcing manufacturing personnel in spotting labor abuses.

- Phillips-Van Heusen is providing training to employees who are on its auditing teams. The company also indicated that it issues regular communications and newsletters to its off-shore offices, quality and sourcing personnel on developments and issues concerning workers' rights, including child labor.

Only a very few respondents indicated that they have tried to ensure that production workers in overseas facilities know about their code or policy by specifically requiring that copies of such a statement be posted. Only three companies stated that they unconditionally require contractors to post their code:

- The Gap requires that its code, which has been translated into 39 languages, be posted in each contractor facility.

- Liz Claiborne, which has translated its Standards of Engagement into more than ten different languages, requires all contractors to post the Standards in the local language in common areas, such as cafeterias or locker rooms, of every facility where Liz Claiborne products are made.

- Phillips-Van Heusen stated that it insists that every facility post its "PVH Shared Commitment" poster, which contains guidelines and standards on worker's rights. The poster is printed in English and Spanish, and is sent to Asia with instructions for it to be translated into local languages.

Nike and Sara Lee stated that their codes are posted at some facilities:

- Nike indicated that its code is posted in all its footwear contractors' factories in two or three languages, but this is not necessarily the case for its apparel contractors. Nike stated that its footwear contractors produce exclusively for Nike, while its apparel contractors often produce for many other companies. Nike often uses any one apparel contractor for only a short period of time.

- Sara Lee indicated that it posts notices of employees' rights at its wholly owned facilities in English and the host language.

Some companies include information on the posting of who to contact in the case of problems or questions regarding implementation of the code:

- Liz Claiborne's Standards direct individuals who have a problem or complaint to get in touch with Liz Claiborne country managers.

- The Gap indicated that at the bottom of its poster, it provides the phone number of a buying agent or sourcing-compliance personnel.

- Sara Lee's posters in its wholly owned facilities include information on whom to see with complaints.

Finally, a few companies have made an effort to communicate information on their codes of conduct and monitoring programs to the general public, including their shareholders:

- Levi Strauss and The Gap have sections on their codes of conduct in their annual reports to shareholders.

b. Transparency of Implementation Process

Many consumer and other non-governmental organizations have stressed the need for transparency in the process of implementing codes of conduct. Some groups have called on companies to make public the findings of their factory investigations, which are discussed in the monitoring section below.[38]

Some companies have actively solicited input from international organizations, NGOs, government agencies and academics in developing and implementing their codes of conduct:

- Levi Strauss stated that it solicited a wide range of ideas from such groups in developing its Terms of Engagement and Country Guidelines and continues to do so in their implementation. Levi Strauss' questionnaire response said: "By working with various parties, we have improved our ability to verify facts, craft new solutions, and strengthen implementation of our standards." The company also stated that when evaluating a prospective business partner for potential adherence to its code, it relies on advice from outside organizations and community leaders, as well as interviews with workers both on-site and away from the contractor's facilities.

- Liz Claiborne and The Gap have worked with U.S.-based and local NGOs to develop ways to increase transparency in the implementation of their codes, mainly through NGO monitoring, which is discussed below. Liz Claiborne also indicated that it has consulted with NGOs during its investigation of alleged violations of its code.

- Sears indicated that in Bangladesh, at the suggestion of an NGO, it has sent a letter to a local garment workers' union directing them to notify Sears if any problems arise regarding its policy.

3. Monitoring

Monitoring is critical to the success of a code of conduct: it gives the code credibility in the eyes of consumers and other interested parties. Yet, most of the policies we have examined do not contain detailed provisions for monitoring and implementation, and many companies do not have a formal monitoring system in place.

a. Monitoring of Codes of Conduct in the Apparel Industry

The companies surveyed indicated that they utilize a variety of means to monitor that their codes of conduct or policies on child labor are respected by their suppliers. Figure II-4 illustrates the structure of monitoring relationships in the apparel industry.

Few companies have a formal system for monitoring compliance with their codes of conduct. Monitoring is usually part of a larger process that includes issues such as quality control and delivery coordination. For this reason, it is not always clear to what extent site visits focus on the code implementation. A few companies check employment records and other documents relating to the workforce during

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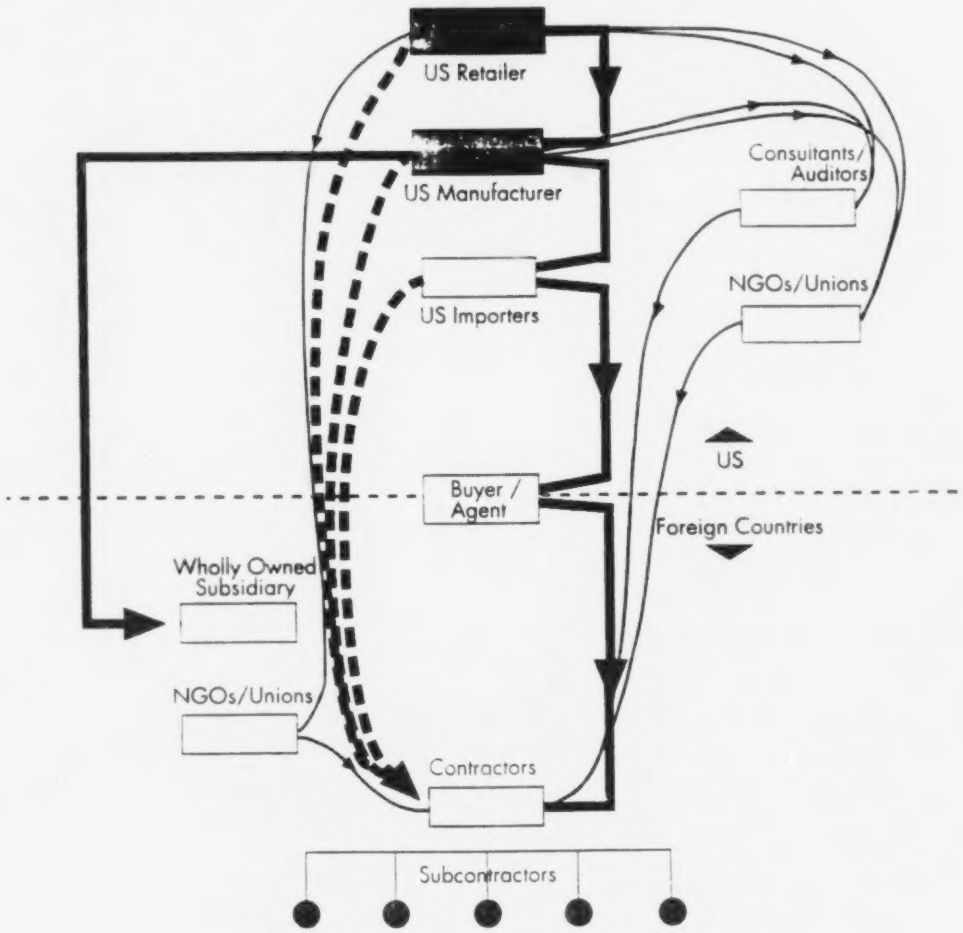
[38] *International Child Labor Hearing*, U.S. Department of Labor (June 28, 1996)(Statement of Jeff Ballinger, Press for Change).

FIGURE II-4

Structure of Monitoring Relationships


US Retailer
US Manufacturer
US Importers
Consultants/ Auditors
NGOs/Unions
US
Buyer / Agent
Foreign Countries
Wholly Owned Subsidiary
NGOs/Unions
Contractors
Subcontractors

their site visits, but very few companies indicated that they interview workers as part of monitoring.

Some companies monitor their codes more actively than do others. Active monitoring may consist of site visits and inspections by company staff, buyer agents or other parties, to verify that suppliers are actually implementing the importing company's policy on child labor. Companies also may use contractual monitoring, whereby they rely on the guarantees made by suppliers, usually through contractual agreements or certification, that they are respecting a company's policy and not using any child labor in production. This may be seen as "self-certification" by contractors or suppliers. Most of the companies that responded to the survey utilize a combination of active and contractual monitoring. Some companies, however, rely exclusively on contractual provisions without any significant active monitoring.

i. *Models of Active Monitoring*

There are four active monitoring models that are being used by U.S. corporations with respect to their codes of conduct: (i) internal audits by company personnel (who may or may not be trained in monitoring compliance with labor standards), (ii) external monitoring conducted by buying agents or suppliers, (iii) outside audits conducted by independent firms hired by the company, and (iv) NGO monitoring, conducted by human rights, consumer and/or labor groups. These models may be used in various combinations. (Table II-4 shows the type(s) of monitoring used by the companies that indicated they have a system of active monitoring.)

Internal Monitoring: A number of companies have developed internal monitoring systems to implement their codes of conduct. These systems use local or regional company personnel or employees from U.S. corporate offices to monitor labor practices. Internal monitoring may be used by companies that are reluctant to grant access to their facilities, procedures and business practices to outside monitors.[81] It is most common among large companies that are vertically integrated, i.e., those in which the corporation owns or directly controls all steps of the production process.[82] Internal monitoring is less common for companies, particularly retailers, that do not own or control the factories that make the products they sell. Some retailers internally monitor only those plants producing private-label merchandise which they import directly. U.S. retailers and manufacturers who use hundreds or thousands of foreign contractors may find it a logistical or financial hardship to monitor all of the facilities from which they source.

External Monitoring: Some U.S. companies rely on their buying agents to monitor compliance with their corporate code. This procedure avoids the financial and logistical burden of performing monitoring functions, but also removes the U.S. corporation from the direct line of control in implementing its policy.

Outside Audits: The central reason for monitoring the implementation of a corporate code of conduct is generating credibility. Corporations that conduct internal monitoring or depend on monitoring by buying agents or contractors are sometimes seen as having a vested interest in not finding anything wrong in their production systems.

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[81] *International Child Labor Hearing*, U.S. Department of Labor (June 28, 1996)(Statement of the Interfaith Center on Corporate Responsibility)[hereinafter Statement of ICCR].

[82] Statement of IMRA.

TABLE II-4

Monitoring Strategies for Compliance with International Child Labor Policies (Based on Responses to Department of Labor Questionnaire)

	Internal [a]	*External* [b]	*Outside Auditor* [c]	*NGO* [d]	*Not Specified* [e]
Ames Department Stores					•
Burlington Coat Factory					•
County Seat Stores, Inc.*					
Dayton Hudson Corporation					•
Dillard Department Stores		•			
Dollar General Corporation		•			
The Dress Barn, Inc.		•			
Family Dollar Stores					•
Federated Department Stores	•[1]				
Fruit of the Loom	•				
The Gap	•	•		•	
Hartmarx Corporation	•				
Home Shopping Network, Inc.					•
JCPenney Company	•	•			
Jones Apparel Group	•	•			
Kellwood Company	•	•	•		
Kmart Corporation	•				
Kohl's Corporation**					
Land's End, Inc.	•	•			
Levi Strauss & Co.	•				
The Limited	•	•			
Liz Claiborne	•			•[2]	
The Marmaxx Group**					
May Department Stores*					
Mercantile Stores Company	•	•			
Montgomery Ward Holding Company					•
Neiman Marcus Group*					
Nike, Inc.	•		•		
Nordstrom	•[1]	•			

TABLE [illegible] 4 (CONT.)

	Internal [a]	External [b]	Outside Auditor [c]	NGO [d]	Not Specified [e]
Oxford Industries	•				
Phillips-VanHeusen	•	•			
Price/Costco			•		
Ross Stores, Inc.					•
Russell Corporation	•				
Salant Corporation	•				
Sara Lee Corporation	•	•			
Sears Roebuck & Company	•				
Shopko Stores**					
Spiegel, Inc.	•	•			
Stage Stores, Inc.		•			
The Talbots, Inc.	•	•			
Tultex Corporation	•				
Venture Stores		•			
VF Corporation	•	•			
Waban Inc.					•
Wal-Mart Stores	•[f]		•		
Warnaco Group	•				
Woolworth Corporation	•	•			

* *No response received.*
** *Designated as business confidential and therefore information not reportable.*

[a] *Internal Monitoring: Companies use existing personnel or bring in employees who work for the company in other locations to monitor labor practices, on a regular basis.*
[b] *External Monitoring: Companies rely on buying agents to monitor labor practices.*
[c] *Outside Audits: Companies use independent accounting, auditing, testing or consulting firms to monitor - among other things - labor practices.*
[d] *NGO Monitoring: Companies use local or international non-governmental organizations to monitor labor practices.*
[e] *Not specified: Companies either do not have a policy or did not specify how the implementation of their policy is monitored.*

[f] *Company does internal monitoring in situations where it contracts directly with a manufacturer for production of private-label goods.*
[g] *Company reported that it is developing an independent monitoring capability to be executed in concert with local NGOs and other organizations.*

The outside monitoring of another company's corporate code of conduct is a relatively new endeavor. Accounting and auditing firms have a long tradition of making field visits and reviewing financial records of client corporations. Based on this expertise, some U.S. accounting and auditing firms have expanded their functions to include monitoring of compliance with corporate codes of conduct. Representatives of these companies say that their expertise in examining payroll records, for instance, gives them a comparative advantage in checking for compliance with child labor and other provisions of codes of conduct. Other types of companies offering their services include firms engaged in compliance with safety and health regulations, investigative consulting firms, and specialized companies that have been created for this very purpose. However, since all such auditing and consulting firms are normally hired — and paid for — by the U.S. importer or the vendor being monitored, their total independence is subject to challenge.

NGO Monitoring. Critics of internal, external and outside auditing point to the fact that company representatives, buyer agents or outside auditors may not be in the best position to ascertain that a contractor has violated a company's code. Aside from the charge that these auditors may have a vested interest in not finding violations, some have noted that corporate representatives and auditing firms may not speak the local language, and workers or plant managers may not feel entirely comfortable discussing their work situation with them. To ease these problems, some companies are developing monitoring systems where they use local and international NGOs, or religious or human rights groups to conduct or assist in monitoring. Some companies may adopt such monitoring in response to negative publicity or with the hope of preventing crises from arising. This is a very new practice, however, and has only been tested in a few cases. Furthermore, there are certain issues — including financial ones — that need to be resolved for this approach to be sustainable.

ii. *Active Monitoring*

Active monitoring may be done through regular site checks, formal audits or evaluations, or special visits by corporate staff. The frequency and intensity of visits vary greatly from company to company. In addition, some companies may use different systems of monitoring for different types of facilities. For example, they may focus their site visits on their larger or more publicized suppliers, or may only monitor those facilities from which they directly import or which manufacture their private-label merchandise.

Several respondents indicated that they are currently stepping up their monitoring of overseas and domestic production facilities. Some, such as Jones Apparel Group ("Jones") and Kellwood, indicated that they are in the process of expanding their extensive domestic monitoring systems to cover international activities.

Respondents had very different views on which type of monitoring is more desirable:

- Some companies feel very strongly that they can do the best job of monitoring themselves, and have the greatest incentive to do so. They also believe that monitoring internally is the most efficient way, since problems are reported directly to management and can be dealt with more quickly.

- Other companies expressed the view that independent, outside monitors may be able to get a more accurate picture of labor conditions or may be more credible than internal monitoring.

Internal monitoring, which employs companies' own staff to monitor for compliance, is the most widely utilized form of active monitoring among respondents.[84] Internal monitoring is most commonly done by quality control, merchandising or internal auditing staff; country, regional or contract managers; or senior management. Monitoring of labor policies is usually combined with monitoring for quality and other standards. While the personnel conducting the visits are usually specifically trained to monitor for quality control, it is not always clear that they are trained to monitor compliance with labor policies.

Some respondents, particularly manufacturers, indicated that they have a strong in-country or regional presence in many of the countries where they manufacture, making it easier to conduct frequent inspections of contractors' production facilities:

- Fruit of the Loom, for example, said that contract managers and field personnel visit foreign facilities on at least a weekly basis to check on a number of production issues. These personnel are also trained to look for code of conduct violations and have forms to red-flag problems for senior management, from which further scrutiny and a warning may follow. In-country personnel also make suggestions and recommendations to contractors on how to improve their operations.

- Nike stated that it has extensive personnel located in the countries where it produces, and that each contractor has specific Nike "in-house" personnel assigned to it. They visit apparel contractors every two to three days and report back to headquarters with their findings.

- The Gap reported that, once it places an order with a contractor, its in-country staff is constantly monitoring for quality and compliance with its code, sometimes three to four times a week. These visits are both announced and unannounced. The Gap also indicated that its senior field representatives also conduct formal compliance evaluations every 18 months.

- Levi Strauss noted that it has a global infrastructure of people in the communities where it does business. It stressed that its employees have the authority — and the responsibility — to take any steps necessary to ensure compliance, and it has found that in many cases its employees can work with partners and address issues before they become a problem.

The following companies indicated that they use internal staff to monitor for compliance: Federated, Fruit of the Loom, The Gap, Hartmarx, JCPenney, Jones, Kellwood, Kmart, Land's End, Levi Strauss, The Limited, Liz Claiborne, Mercantile Stores, Nike, Nordstrom, Oxford, Phillips-Van Heusen, Russell, Salant, Sara Lee, Sears, Spiegel, Talbots, Tultex Corporation, VF Corporation, Wal-Mart, Warnaco, Woolworth Corporation.

- Sara Lee reported that most of its contractors are located in the same areas as the plants it owns and are constantly being monitored by Sara Lee personnel. Sara Lee noted that since its contracts are typically large enough to use entire plants (rather than partial runs), its personnel have freedom of access to contracting facilities and often make unannounced visits.

- Liz Claiborne staff does scheduled and unscheduled spot inspections of facilities, and requires all country managers and Liz Claiborne representatives to complete an annual, 11-page human rights questionnaire for every supplier.

- Tultex Corporation ("Tultex") reported that it charges regional managers with the responsibility of following up with vendors, and that these managers make frequent visits to their factories.

- VF Corporation has its quality control people check on the manufacturing process weekly.

Some companies send U.S.-based corporate staff or special auditing staff to monitor production facilities for compliance with their policies. Again, in most cases it appears that monitoring is part of a larger process that includes elements such as quality control.

- Levi Strauss has a team of 50 full-time auditors who are based in the regions where they work. These auditors and other in-country employees visit contractors on a regular basis to review quality, production processes and Terms of Engagement issues. Levi Strauss said that all contractors and subcontractors are audited at least once a year, unless problems are found, in which case they are done more frequently — sometimes three and four times a year. Audits often include interviews with employees, both at the factory and away from the factory.

- Jones, for example, reported that its U.S.-based quality control staff, which visit overseas facilities, have been instructed to make sure Jones' policies are implemented. Jones also indicated that in 1997 its domestic in-house auditing staff will be sent to visit all of Jones' larger suppliers. Jones anticipated that while the visits are to be unannounced, Jones' buying agents will probably be advised of the auditing teams' presence in their country.

- JCPenney Company ("JCPenney") reported that it has instructed its associates and buyers to watch for and report any legal violations or questionable conduct to management for follow-up and, when necessary, corrective action.

- Fruit of the Loom reported that senior management and/or corporate counsel conduct on-site contractor audits to confirm compliance with the company's code and other agreements. These audits include a review of employment and labor practices, including an on-site confirmation that workers are of legal working age.

- Kmart stated that it is increasing its regular and surprise on-site inspections of manufacturing facilities. Last year, Kmart conducted 45,000 visits worldwide through its Quality Assurance Department. Kmart investigators have a checklist of what to look for during inspections.

- Land's End's quality assurance team and agents visit existing vendors to monitor standards and assure quality of products.

- The Limited reported that its quality assurance and internal audit teams make regular and unannounced on-site inspections of facilities.

- Liz Claiborne is requiring non-sourcing senior managers and employees who visit factories to evaluate working conditions and fill out a "report card."

- In addition to auditing by quality control personnel, Phillips-Van Heusen recently organized an Employment Practices Workers' Rights Task Force, made up of employees who are not directly involved with production sourcing. These employees, on a part-time basis, periodically visit contractors worldwide, inspect facilities, and compare their findings to evaluations done by sourcing personnel. According to PVH, the task force does not attempt to reach all factories, but tries to reach representative vendors in all regions. The task force does not reveal which vendors will be visited. Inspections include a review of facility documents, and contractors are asked to provide proof of age.

- Warnaco indicated that its personnel occasionally make unannounced visits of foreign contractors to monitor for compliance with its Business Partner Terms of Engagement.

Some retailers indicated that they concentrate internal monitoring efforts on those facilities that produce private-label merchandise or brands sold exclusively at their stores:

- Federated stated that it routinely inspects all facilities that produce private-label products for Federated for compliance with laws on child labor, as well as safety and health standards.

- Nordstrom reported that it conducts random inspections of contractor facilities in cases where it contracts directly with a manufacturer for the production of private-label merchandise. These visits, both announced and unannounced, monitor for compliance with all applicable laws and confirm that no child or forced labor is used.

- Wal-Mart indicated it is increasing its inspections of domestic and overseas factories, focusing on those factories that produce lines sold exclusively at Wal-Mart, such as the Kathie Lee line.

Implementation of child labor policies may differ, depending on whether goods are produced at wholly owned facilities or contractor facilities, or purchased through buying agents:

- Oxford stated that it is quite confident of its own facilities' adherence to all laws, and made a distinction between implementation in wholly owned facilities versus contractor facilities. Oxford Industries utilizes its internal audit staff to periodically check compliance with applicable laws and Oxford policy in all of its wholly-owned facilities. For contractors, Oxford reports that it is the responsibility of the Oxford contract manager or employee who hires the contractor to take reasonable steps to ascertain that the contractor is in compliance and to document those steps. Oxford also indicated that quality-control staff and higher-level managers visit contractor facilities during production runs a couple of times a year. Oxford stated that while quality control staff is in plants more frequently, it does not have the same clout as managers to exact immediate change.

- Sara Lee stated that through its direct control and management of its wholly-owned facilities, it is able to ensure that its Operating Principles are being implemented and followed at those facilities. When Sara Lee purchases apparel from a domestic supplier that has secured the products from a subcontractor, it expects the supplier to meet the requirements of those principles.

External monitoring, or monitoring of suppliers' production facilities by buying agents, is used by at least nineteen respondents.[59] While some of these respondents rely on buying agents for most of their imports, others only use buying agents in certain cases.

- Dillard Department Stores ("Dillard") charges its buying agents with the responsibility of periodically monitoring production, to ensure that quality goals and Dillard's policies are realized, including that on child labor. These inspections are done three to four times a year, and agents are required to return a form indicating their findings.

- Dress Barn requires its buying agents to monitor production facilities during the manufacturing process for goods specifically ordered by Dress Barn. The agents are required to examine a range of labor and employment practices, and use an extensive audit form during the visit. This audit form includes questions specifically addressing child labor.

- Mercantile Stores Company ("Mercantile") reported that its buying agent is responsible for implementation of its child labor policy and is instructed to be vigilant regarding child labor. Mercantile believes that its vendors are aware of its child labor policy because they are required to sign it.

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[59] These companies are: Dillard Department Stores, Dollar General, Dress Barn, The Gap, JCPenney, Jones, Kellwood, Land's End, The Limited, Mercantile Stores Company, Nordstrom, Phillips-Van Heusen, Sara Lee, Spiegel, Stage Stores, The Talbots, Venture Stores, VF Corporation and Woolworth Corporation.

- Stage Stores, which currently uses AMC's code (but is developing its own code), did not specify its monitoring system. However, AMC — a buyer's cooperative which orders imported merchandise on behalf of its retail shareholders — indicated that AMC vendors are "aware" of its code, which contains provisions prohibiting child labor. Vendors go through an annual certification process, which includes a variety of quality assurance issues and meeting AMC's code. AMC said that it has employees in most countries from which it orders apparel.[illegible] In a few countries where AMC orders are small it relies on "commissionaires," who act as buyer agents.

- Venture Stores ("Venture") purchases essentially all imported apparel through a buying agent. The agent is aware of Venture's policy not to purchase merchandise from foreign vendors who use child labor and is required to comply with this policy. While Venture requires its buying agent to certify that child labor was not used in the manufacture of any merchandise, it does not indicate how it ensures compliance, other than through visits by Venture personnel when feasible.

- VF Corporation and Sara Lee, when using buying agents, have them inspect production facilities. VF Corporation's buying agents go to plants two to three times during the course of production — for an initial audit, a final audit, and often one in-between.

Kellwood, Nike, Price Costco, Inc. and Wal-Mart all indicated that they currently use or have in the past hired outside auditing, accounting or consulting firms to monitor compliance with their codes of conduct:

- Nike stated that every Nike contractor is subject to unannounced spot checks by the consulting firm Ernst & Young. Nike reported that Ernst & Young has been doing audits for several years, and indicated that while all of its footwear facilities have been audited by Ernst & Young, not all apparel contractors, particularly those where Nike has very little production, have been audited. Ernst & Young reviews the contractors' books and interviews employees, according to Nike. On child labor, the auditors look at birth certificates or other evidence, if available. Nike says the auditors conduct interviews with employees away from their managers. When violations are found, Nike asks the factory manager to set up a timetable for remedying the problem.

- Kellwood said that it recently began using Ernst & Young and Contractor Services Compliance Corporation to conduct outside monitoring overseas.[illegible] Kellwood indicated that the initial visits are scheduled, but once the system is in place the outside monitors will also do unannounced visits on a regular basis. The monitors do a random sampling of interviews with workers, according to Kellwood. Kellwood stated that it deals with the finest retailers, and wants them to feel confident that they are getting a product of value.

[illegible] According to AMC, its retail shareholders includes such other stores as Bloomingdale's, Saks Fifth Avenue, Dayton Hudson, Bradlee's, Marshall's, Target and Filene's Basement.

[illegible] Kellwood indicated that it may exp[illegible]d its monitoring to use another Big Six accounting firm in the future.

made in accordance with national laws and moral and ethical standards. It believes outside monitoring is part of the "cost of doing business."

- Price/Costco, Inc. ("Price/Costco") reported that as part of its quality-assurance program, which has been in place since 1995, it uses an outside auditor to inspect vendors' facilities. These outside audits are only done where Price/Costco buys through a U.S. wholesaler — not where Price/Costco is the importer of record, in which case it does its own monitoring. The outside auditors look at labor conditions and labor force make-up, in addition to a variety of quality-assurance issues. Price/Costco indicated that the outside audits are paid for by the vendors.

- Wal-Mart hires a third-party agency to conduct routine visits of overseas factories with which Wal-Mart contracts directly.

The Gap and Liz Claiborne are currently experimenting with NGO monitoring at some of the contractor facilities from which they import:

- The Gap, in cooperation with a number of NGOs, has worked to develop an NGO monitoring mechanism at Mandarin International, an independent contractor in El Salvador.

    - The developments that led up to this third-party monitoring pilot began with alleged violations at Mandarin, including the use of child labor, forced overtime, unsafe working conditions, intimidation of workers to prevent union organizing and firing of union leaders.[87]

    - When The Gap's own investigation of the allegations regarding Mandarin did not come up with any evidence to corroborate the complaints, NGOs and human rights groups called for the use of "independent" monitors. After considering cancelling its contracts with Mandarin and pulling out of El Salvador, The Gap instead signed an agreement in which it consented to explore the viability of an independent monitoring program in El Salvador and agreed to re-approve the Mandarin plant as a Gap contractor once it felt confident that the plant could effectively implement its code.[88]

    - In January 1996, The Gap and some NGOs formed an Independent Monitoring Working Group (IMWG). Members of the IMWG traveled to El Salvador to visit the Mandarin plant, met with various parties, and solicited input from more than 75 U.S. and international human rights, labor, religious, academic and business groups to develop a working model for independent monitoring.

    - The IMWG developed the following definition of independent monitoring: "An effective process of direct observation and informationgathering by credible and respected institutions and individuals to ensure compliance with corporate codes of conduct and applicable laws to prevent violations, process grievances, and promote humane, harmonious, and productive workplace conditions."[illegible]

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[87] Statement of ICCR.

[88] *See* Bob Herbert, "In Deep Denial," *The New York Times*, October 13, 1995. *See also* National Labor Committee press releases of October 18, 1995, November 21, 1995 and December 16, 1995.

  - In March 1996, Mandarin managers, workers, and current and former union leaders signed a resolution that included, among other elements, the formation of an independent monitoring team in El Salvador — the Independent Monitoring Group of El Salvador (IMGES). With these developments, The Gap re-approved Mandarin for the production of its goods. The team of monitors, made up of volunteers of local human rights organizations, is based near the plant, has regular access to it, and can receive and investigate complaints from workers without fear of reprisal.[illegible]

- Liz Claiborne is currently developing its own NGO monitoring pilot program with the expectation that such a monitoring capacity will improve reporting on compliance with its Standards of Engagement.

  - Liz Claiborne reported that monitors will listen to the concerns of workers and management, review compliance with local laws, compare factory practices with its standards, and create mechanisms for workers to report grievances in privacy, including telephone numbers to call or locked drop-off boxes for written complaints.

  - According to Liz Claiborne's survey response, "key elements for the program will be independence and an understanding of local issues." Liz Claiborne also noted that it expects to adapt and improve the program based on data and input from the pilot effort, the monitors, and involved NGOs and governments.

iii. Contractual Monitoring

Many respondents require their suppliers, buying agents or contractors to abide by their policy on child labor through contractual agreements or some form of certification process. These contractual obligations are an expression by manufacturers and retailers of their expectation that the contractors' or suppliers' business relationship with them is based on full compliance with their policy or code. The incorporation of child labor policies into contractual obligations in many cases shifts at least part of the burden of responsibility for ensuring compliance onto the contractor, supplier or buying agent. In addition, such contractual obligations provide a legal avenue for terminating agreements on the basis of violations.

[illegible] Interfaith Center on Corporate Responsibility, "Independent Monitoring Working Group Progress Report," (April 19, 1996) [hereinafter ICCR report].

[illegible] Statement of ICCR. According to Mark Anner of the Center for Labor Studies (CENTRA), who coordinates the NGO monitoring team, the experience has been very positive, with most problems already resolved at the Mandarin plant. He expressed concern, however, regarding the long-term sustainability of NGO monitoring since the monitors are all volunteers (with full-time jobs elsewhere) and raise their own budget.

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Some companies, particularly retailers, may have general language in their purchase order or vendor contracts requiring vendors to comply with applicable laws but have no mechanisms for monitoring compliance. In certain cases, respondents indicated that they have no knowledge of how or where imported goods they purchase are produced.

- A number of respondents indicated that compliance with their corporate code of conduct or policy is part of their purchase orders or other contracts.

- Other respondents (Dollar General, Venture and Woolworth Corporation) also indicated that their letters of credit contain provisions on child labor.

  * Woolworth Corporation ("Woolworth") reported that its manufacturers must complete a Certificate of Product Manufacture and Inspection — certifying that a said factory was truly used to produce the garments and that no child labor was used in their production — before letters of credit can be drawn down.

- Price Costco's Import Vendor Agreement states that the vendor must secure a written and signed confirmation from the owner of the "prime factory" that the factory and all subcontractor facilities used are in compliance with its child labor policy.

Several companies require written acknowledgment by their contractors, suppliers or buying agents that they have read and understood their policies on child labor. This is usually done through requiring contractors to review and sign a code of conduct or a special certification form.

- Federated indicated that it requires its "core vendors" to acknowledge annually in writing their understanding of Federated's policies requiring full compliance with applicable laws, including those relating to child labor. It reported that relationships are immediately terminated with manufacturers and suppliers who fail to do so.

- The Limited also requires every supplier to periodically certify their compliance and that of their subcontractors with its's policy, which includes provisions on child labor.

- Mercantile indicated that it decided to put its child labor policy in a stand-alone certification form that suppliers must sign because it did not want that policy to be lost within a larger contract.

- Oxford reported that it is implementing a computerized tracking system to ensure that each contractor has read and understood Oxford's sourcing policy and acknowledged that it will be terminated in the case of violations of that policy, which includes provisions on child labor.

- Talbots, as part of a new program (effective September 1996), requires all of its international suppliers to furnish a signed, notarized statement confirming adherence to its policies on child labor and other standards. Talbots stated that it will require suppliers to re-certify their adherence annually and will not place new orders with any companies that fail to complete the certification.

Some respondents require certification on shipping documents:

- JCPenney, requires that foreign and U.S. suppliers of imported merchandise obtain a manufacturer's certificate for each shipment certifying that the merchandise was manufactured at a specific factory (identified by name, country and location) and that no illegal child labor was employed in its manufacture.

- Talbots requires all international manufacturers to include a statement on their shipping documents accompanying imported merchandise confirming their adherence to the company's policy.

Some respondents require contractors to take on certain responsibilities or actions themselves to ensure that the policy is not violated:

- Fruit of the Loom indicated that in signing its code of conduct, contractors agree to require all their employees who are responsible for implementing the code to review and familiarize themselves with it.

- JCPenney's purchase contracts require suppliers to impose the same standards on their contractors as the company places on them (including certification that no forced, indentured or illegal child labor was employed in the manufacture of the merchandise).

- Kmart's purchase order requires suppliers to contractually agree that they have "ascertained and financially warranted" that no child labor was utilized in the manufacture of merchandise, and obligates them to be responsible for and inspect their subcontractors. Vendors also must sign Kmart's Certificate of Compliance (introduced in June 1996), certifying that they will increase their factory inspections and take vigilant action to prevent problems. Vendors' signature of this Certificate also binds them to make a payment, equivalent of 50 percent of Kmart's order, to a local human rights or children's organization in case of failure to comply.

- Talbots requires its vendors to certify in their shipping documents that they have a program in effect for monitoring their contractors.

Some respondents who utilize buying agents contractually obligate these agents to implement their policies on child labor:

- Dollar General requires buying agents to warrant that merchandised purchased for the company is not manufactured in violation of any human rights resolutions.

- Spiegel requires its buying agents to implement its code.

Some companies require documentary proof of compliance or reserve the right to carry out on-site inspections:

- Phillips-Van Heusen's contracts require facilities to have on-site such documents as proof of age or wages paid.

- Fruit of the Loom requires contractors to provide proof of compliance, including proof that all employees meet the minimum age.

- For some companies (e.g., Fruit of the Loom and Jones), endorsement of a code or policy is also an authorization to allow the contracting company free access to contractors' facilities and any information requested in order to monitor for compliance.[30]

- Vendors who sign Russell Corporation's ("Russell") Vendor Policy give Russell the right to conduct on-site inspections.

Some companies, although they have specific language prohibiting child labor or general contract language requiring adherence to applicable laws, do not appear to have any mechanism for compliance. The contractual language, in these cases, is the only visible means by which these companies implement their policies with regard to imported apparel.

- Ames' purchase order requires vendors to comply with all applicable labor laws and states that failure to comply would result in cancellation. Ames' buyers are instructed to stay alert to any indication that goods are being made under unacceptable conditions, and states that if any such problems exist, it would take action. However, Ames said that it uses agents for the purchase of its imports and it generally has no knowledge or control over where the goods are manufactured.

- BJ's Wholesale Club, a division of Waban, indicated that any imported apparel it sells is purchased domestically, and it has no control over which countries or facilities that apparel comes from. Furthermore, it stated that it has no knowledge of the workforce in those facilities.

- In its purchase order, Burlington Coat Factory requires that vendors comply with all applicable laws, but no further compliance action is taken.

- Family Dollar indicated that its purchase orders have always required vendors to comply with all applicable labor laws. However, Family Dollar gave no indication of any compliance process.

- Home Shopping Network includes specific language prohibiting the use of child labor in its purchase order terms and conditions as well as a vendor-practices agreement. However, it gave no indication of how it implements those provisions.

Fruit of the Loom also requires access to subcontractor facilities used.

- Ross Stores' purchase order requires its vendors to comply with all applicable laws and regulations. The company stated that it would not knowingly purchase goods that are made by children or exploited workers, but does not visit any manufacturing sites or have any other system for monitoring compliance. However, Ross Stores indicated that it is reviewing its purchasing process regarding foreign suppliers.

b. Evaluation of Prospective Contractors

While technically not a monitoring activity, evaluation of prospective contractors with regard to labor standards is becoming an important aspect of code implementation. At least seventeen of the companies that responded to the survey stated that they have a process in place to evaluate overseas facilities before they establish a business relationship with them.[92] Such on-site evaluations or inspections have long been made primarily to verify whether the facilities have the physical capacity to meet quality and quantity specifications. Increasingly, the working conditions and employment practices of prospective contractors are also being evaluated, screening out companies that are violators or have the potential for being so in the future.

- Several of the companies that conduct such evaluations indicated that compliance with their policies on working conditions is an important factor in the decision to place a production program with a contractor. These evaluations, according to many, enable them to screen out contractors who do not comply with applicable legal standards or who do not meet a company's own standards.

- A few respondents indicated that such pre-contract inspections had enabled them to avoid doing business with a facility that appeared to employ underage children, but most reported that when facilities are rejected, it is usually for other reasons.

The evaluations typically involve an inspection of the physical plant and include other elements such as reviewing company records (including employment records), evaluating the workforce, and explaining company policies and expectations.

- Some companies use a standard checklist or questionnaire that includes specific questions or criteria related to working conditions and employment practices, including questions on the age of workers.

- Other companies, such as Land's End, indicated that they have an intricate process to qualify vendors, but did not disclose what the process entails.

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[92] These companies are Federated, Fruit of the Loom, The Gap, Land's End, Levi Strauss, Liz Claiborne, Montgomery Ward, Nike, Oxford, Phillips-Van Heusen, Price Costco, Salant, Sara Lee, Spiegel, VF Corporation, Wal-Mart and Warnaco. Several other companies, including Dillard and JCPenney, indicated that they seek out suppliers with established reputations for quality that comply with all applicable laws, but did not state that they conduct on-site evaluations.

- Levi Strauss' initial evaluation of potential business partners is done by a team of employees representing different divisions of the company and includes one of its 50 specially trained auditors.[illegible] Levi Strauss indicated that the evaluations take at least two full days to complete, and auditors use a 20-page form to evaluate the policies, practices, and conditions of the contractors. They also review payroll, personnel and other records and check health and safety conditions. To get a "full picture of a potential contractor's adherence to the Terms of Engagement standards," the team also relies on unannounced visits, advice from outside organizations and community leaders, and interviews with workers both on-site and away from the facility.

- Fruit of the Loom reviews potential contractors' management experience and financial condition to ascertain whether they can deliver quality products in compliance with Fruit of the Loom's standards and all applicable laws.

- Salant reported that it looks for workers who appear underage or malnourished during evaluations, and utilizes a checklist that includes a question on whether contractors keep age records of all employees.

Two of the retailers who conduct pre-contract inspections of potential contractors use an external organization to do them:

- When Wal-Mart contracts directly with an overseas manufacturer to produce goods, it hires an outside agency to inspect factory conditions before work begins. Wal-Mart indicated that this process has identified more than 105 factories that failed to comply with Wal-Mart's standards — and therefore are not eligible for contracts with Wal-Mart.

- Price Costco has an outside audit done of every new foreign facility in cases where it uses a U.S. wholesaler who sells imported goods. These audits include a site visit and evaluation of quality and volume capabilities, as well as working conditions and labor force composition. Price Costco indicated that the vendor pays for the audits.

Some companies, such as VF Corporation, re-inspect facilities that they have not used for few a seasons to ensure that they still comply with its standards.

- Federated maintains a database that includes all approved suppliers as well as a "red-flagged list" of vendors that have been rejected.

4. Enforcement

Enforcement of corporate codes of conduct refers to how U.S. companies respond to violations of their codes. Enforcement is essential to the success of a corporate code. As a report on codes of conduct has stated, "without adequate

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[illegible] These auditors are based in the region where they work. While they are specially trained in enforcing Levi Strauss' "Guidelines," they also do work pertaining to quality control and sourcing activities.

enforcement, codes can be mere public-relations ploys, misleading consumers that workers' rights are actually respected in production."

Information from those respondents who outlined their policies on enforcement indicates that there are various levels of response to violations of child labor policies. Most companies stated that they would first investigate all allegations to confirm the use of child labor. Most also indicated that they use graduated responses to confirmed violations, which include: a) monetary fines or penalties; b) probationary status; c) demand of corrective action; d) support of educational projects (particularly where child labor violations are involved); e) cancellation of an individual contract; and f) severance of the relationship. Positive reinforcement includes: a) retention of current contracts; and b) awarding of additional contracts.

While termination of a contractual relationship may send the strongest signal regarding intolerance of child labor, a zero-tolerance policy has immediate effects for the factory management and for the workers who would lose their jobs when factory orders are canceled.

Resolution of the problem of child labor means different things for different companies. In most cases, it simply means dismissal of the child workers. For others, resolution occurs when the supplier puts satisfactory monitoring systems in place. To a very few companies, such as Levi Strauss, resolving the problem might mean contributing resources, if necessary, to achieve sustained change. Some companies indicated that they believe their ability to modify contractors' behavior depends greatly on the amount of leverage they can exercise on those contractors. Companies have far less leverage with contractors where they only have small production runs.

The vast majority of companies that responded to the survey reported that they have never found any violations of the child labor provisions of their code or policy. Some companies attributed this to their efforts to evaluate and carefully select suppliers before entering into contracts with them. Others indicated that child labor violations of their codes are less common than other types of violations, such as health and safety.

Of the companies that responded to the survey, only four — The Gap, Levi Strauss, Phillips-Van Heusen, and Sears — have confirmed instances of child labor in overseas production facilities that were producing garments for their account. In all of these instances, the plant employing underage workers was an independent contractor.

- The Gap reported that, when it has discovered child labor in a facility producing its merchandise, it took immediate action to either correct the problem or terminate the business relationship with the facility.

Richard Rothstein, "The Starbucks Solution: Can Voluntary Codes Raise Global Living Standards?" *The American Prospect* 27 (July-Aug. 1996): 36-37.

Most also indicated that, should they receive notification by a governmental authority of a violation, they would cooperate and act immediately.

Kellwood reported that it suspected child labor in a facility that it subsequently decided not to use as a source.

- Levi Strauss reported that when it first began implementing its Terms of Engagement, about five percent of its contractors were terminated due to a variety of conditions, including the use of child labor. However, during initial Terms of Engagement evaluations in Bangladesh, it found several underage girls working in two contractor facilities. Levi Strauss stated that, rather than having the underage workers discharged, it persuaded the contractors to stop employing underage children, but to continue paying the girls even though they no longer worked. Levi Strauss paid for the former underage workers' tuition, books and uniforms to attend school, and the contractors agreed to employ the girls once they had finished school.

- Phillips-Van Heusen reported that it has found child labor in several off-shore facilities.[7] The company said that in such instances, it has discussed the problem with the contractor and allowed 30 to 90 days to discharge the underage workers. In three instances, the contractors complied. In the one instance that the contractor did not comply, Phillips-Van Heusen discontinued its relationship with the contractor. In one case, where it had a large concentration of production with multiple contractors and sewing shops in one area, Phillips-Van Heusen observed children in manufacturing areas who were not in school. The company determined that educational opportunities were lacking, and made a commitment to a multi-year project to improve the educational system. Phillips-Van Heusen has built classrooms, provided for a well, electricity and additional teachers, and purchased desks and supplies.

- Sears reported that in late 1994, the BBC brought to its attention that it had found children working in a manufacturing facility in India that produced garments for Sears. Sears subsequently contacted the U.S. importer that was procuring the garments, and that importer denied that child labor was being used. Sears demanded that child labor not be used, and asked that documentation of age be required. The importer provided Sears with such documentation, which contained a Government of India certification stamp. When Sears received a videotape of a BBC broadcast, which clearly showed children working at the facility, Sears demanded that its garments no longer be made there. Sears later terminated the importer when it was found to still be using the facility (although Sears pointed out that no goods from the facility were supplied to Sears).

Other companies have received allegations of violations of their policies on child labor:

- JCPenney stated that it had received allegations of underage workers by its associates but determined after its own investigation that there had been no violation.

- Liz Claiborne reported that after recently uncovering an alleged breach in a Middle Eastern country, it is investigating the allegation in cooperation with a U.S.-based human-rights organization.

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[7] Phillips-Van Heusen reported that its quality control staff has in most cases discovered the child workers.

Only a few companies — Kmart, Montgomery Ward, Salant and Venture — reported that they would respond to violations of their child labor policy with immediate terminations of the business relationship. Many others, including Fruit of the Loom, The Limited, Nordstrom, Oxford and Ross Stores, indicated that violations could be punished with terminations, but not unconditionally or before other approaches were tried. Most companies outlined an incremental response to violators.

Following are some examples of stated enforcement policies:

- Federated stated that if it is notified by a governmental authority or determines on its own a serious violation of its policy, it will immediately suspend all shipments from the subject factory and discontinue further business until that factory institutes the monitoring programs necessary to ensure compliance. If notified of a violation by another party, Federated will immediately suspend further shipments, pending the supplier's explanation and commitment to take satisfactory remedial action. Federated stated that it may also take legal action.

- JCPenney reported that if, after full investigation, it determines that misconduct has occurred, it would take appropriate corrective actions, which could include canceling the affected order, prohibiting the supplier's future use of the factory where the violation took place, or terminating JCPenney's relationship with the supplier. If informed by a government of violation of labor laws, it will immediately suspend shipments from the factory, with any resumed shipments conditioned on verification that the supplier has put the monitoring programs in place to ensure compliance.

- Jones indicated that it will generally first try to get remediation of the problem before withdrawing. But it will take appropriate actions as warranted, ranging from canceling the affected purchase contract or terminating its relationship with the supplier.

- Kmart stated that if a supplier is found to be in violation, it will cancel the order, with the supplier bearing the burden of any loss and responsible for other damages. Furthermore, Kmart stated that it will sever its relationship with the vendor, who will be assessed a payment, worth 50 percent of the contract, to be donated to a human rights or children's organization in the community where a violation occurred.[illegible]

- Liz Claiborne stated that it will first investigate reported violations to find out the scope and nature of the problem, and the status of the workers involved. It requests contractors to address the situation in a humane manner, while ensuring that the facility be brought up to standards.

- Nike indicated that when a problem on an issue other than child labor has been found, Nike has asked the factory manager to set up a timetable for remedying the problem.

[illegible] According to Kmart, this last provision was added by its new Chief Executive Officer.

- VF Corporation reported that it would first do its own investigation of allegations. If a violation were confirmed, it would try to first work with contractors to correct deficiencies. If that does not work, VF Corporation stated that it would terminate the relationship.

III. Implementation Experiences of Codes of Conduct in the U.S. Apparel Industry

A. Introduction

As has been reported in Chapter II, 36 of the 42 U.S. retailers and manufacturers of apparel which provided reportable responses to the Department of Labor voluntary survey stated that they had adopted some sort of policy prohibiting child labor in overseas production facilities. These policies takes different forms, from formal public codes of conduct to provisions banning the use of child labor in contracts between the foreign producer and the importing U.S. corporation.

The fact that U.S. retailers and manufacturers of apparel have adopted policies against the use of child labor in the production of garments is a positive step toward the objective of eliminating the use of child labor. Clearly, for such policies to be truly effective, there has to be a commitment on the part of all interested parties to implement them. Consequently, a central objective of this study is to assess the implementation practices of U.S. apparel importers that have policies regarding child labor.

Through the voluntary responses to the survey instrument sent out to U.S. manufacturers and retailers of apparel and follow-up phone interviews with respondents, the Department of Labor learned a great deal about the implementation of codes of conduct from the perspective of the U.S. companies that import the garments and originate the codes. Although these companies have generally been cooperative, company officials responding to the inquiries were not always able to provide definitive explanations regarding specific aspects of the implementation of their policies.

To further review the actual implementation of codes of conduct, Department of Labor officials visited six countries where there is extensive production of garments for the U.S. market. This chapter describes the field visits and summarizes their findings regarding transparency, monitoring and enforcement of codes of conduct — the primary elements identified in Chapter II.

B. Field Visits

For a two-week period in September 1996,[1] Department of Labor officials traveled to six countries — the Dominican Republic, El Salvador, Guatemala, Honduras, India, and the Philippines — that produce garments for the U.S. market. The objective of the visits was to learn about the approaches of foreign garment suppliers to the implementation of the established child labor policies of U.S. importers. Interviews were held with as many relevant persons or organizations as possible associated with the apparel industry, i.e., labor ministry officials, manufacturers, plant managers, buyers, trade associations, unions, workers, community activists, human rights groups, organizations concerned with children's issues, and other non-governmental organizations (NGOs).

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[1] The majority of the field visits took place over the period September 3-14, 1996.

1. Planning of Field Visits

In planning the field visits, Department of Labor officials met in Washington with a variety of organizations and individuals. Where meetings were not practical, consultations were held by telephone. Among others, the Department of Labor consulted with representatives of U.S. garment importers, labor organizations, the Department of State, and Washington-based diplomatic representatives of the countries being visited.

a. U.S. Apparel Importers

Department of Labor officials met with representatives of the International Mass Retailers Association (IMRA), the National Retail Federation (NRF) and the American Apparel Manufacturers' Association (AAMA) to discuss the objectives of the field visits. The Department of Labor sought input from the three business organizations on specific individuals and companies in each of the foreign countries who should be contacted. All three organizations indicated that they would inform their members about the mission and, where appropriate, suggested specific individuals and corporations that should be contacted in each country.

b. Labor Organizations

Department of Labor officials consulted with representatives of organized labor in the United States in preparation for the foreign visits.

- Department of Labor officials met with representatives of the American Institute for Free Labor Development (AIFLD) and the Asian-American Free Labor Institute (AAFLI), the entities within the AFL-CIO responsible for Latin American and Asian affairs, respectively. These entities provided advice on individuals organizations that Department of Labor officials should visit in each country and informed their overseas contacts about the mission.

- Department of Labor officials also consulted with the Union of Needletrades, Industrial and Textile Employees (UNITE), the main U.S. labor union in the garment industry, for the same purpose.

c. Department of State

The U.S. Embassy in the capital of each country was requested to assist in the identification of all relevant individuals and organizations with whom the Department of Labor officials should meet and, where possible, make appointments for such visits.

d. Foreign Governments

The Department of Labor requested from U.S. Embassies in the six foreign countries that an appointment be made with high-level officials of the Department of Labor (or appropriate department) in each country to discuss the objectives and methodology of the mission.

2. Conduct of Field Visits

Organizations and persons interviewed by the Department of Labor officials in each of the six countries are listed in Appendix D. The categories of individuals interviewed were: government officials (including legislators), employers, workers, and NGOs. U.S. Embassy personnel in each of the countries generally accompanied the Department of Labor officials. At the beginning of each interview, Department of Labor officials indicated the purpose of the interview was to gather information for a public report, and any information collected could be used for that purpose.

3. Plant Visits

The central element of the field visits was the opportunity to discuss matters related to the existence and implementation of codes of conduct with managers and workers of plants producing apparel for the U.S. market.

Information is not publicly available on the universe of foreign subsidiaries, contractors, and subcontractors of U.S. garment importers. Information which is available (e.g., membership lists of apparel manufacturers associations) may not cover the entire industry. Moreover, publicly available information may be out of date, thereby not reflecting the current structure of supplier networks of U.S. garment importers.

For these reasons, Department of Labor officials in each country developed a sample of garment plants to be visited using information obtained from garment manufacturers or exporters associations in each of the countries, U.S. Embassy officials familiar with the garment industry of the given country, and recommendations from U.S. labor union representatives and NGOs. U.S. business organizations — particularly the AAMA — also assisted in this task.

Department of Labor officials sought to visit a representative sample of the following types of garment plants producing for the U.S. market:

- U.S.-owned subsidiaries of the 48 companies surveyed;
- U.S. or host country-owned contractors or subcontractors; and
- Third party-owned (e.g., Korea, Taiwan) contractors or subcontractors.

Boxes III-1 through III-6 list plants, trade associations, and other garment industry representatives visited by the Department of Labor in each country:

- In the *Dominican Republic*, the Department of Labor visited eighteen garment plants in seven Export Processing Zones (EPZs) and met with representatives of the Dominican Association of Free Trade Zones, the American Chamber of Commerce of the Dominican Republic, the Free Trade Zones Association in Santiago and San Pedro de Macoris, and other organizations connected to the apparel export industry (Box III-1).

BOX III-1

Dominican Republic

Plant Visits/Meetings with Apparel Industry Representatives

Export Processing Zones:	Zona Franca Los Alcarrizos Zona Franca Villa Mella Zona Franca Las Américas Zona Franca Santiago Zona Franca La Vega Zona Franca San Pedro de Macoris Zona Franca Bonao
Plants:	High Quality Products (Los Alcarrizos) BRATEX Dominicana (Villa Mella) Hanes Caribe (Las Américas) Grupo M (Santiago) Tejidos Flex (Santiago) Interamericana Products (Santiago) D'Close Corporation (Santiago) Polanco Fashion International (La Vega) RK Fashion (La Vega) Manufactura Borinqueña (San Pedro de Macoris) Undergarment Fashions (San Pedro de Macoris) Toscana Corporation (San Pedro de Macoris) Pons, San Pedro (San Pedro de Macoris) Denisse Fashions (San Pedro de Macoris) Bi Bong Apparel (Bonao) Woo Chang Dominican Ind. Co. (Bonao) Bonahan Apparel (Bonao) Hingshing Textile (Bonao)
Trade Associations:	Dominican Association of Free Trade Zones (ADOZONA) American Chamber of Commerce of the Dominican Republic Free Trade Zones Association (Santiago) Free Trade Zones Association (San Pedro de Macoris)

- In *El Salvador*, eight plants in five EPZs were visited, and meetings were held with the Salvadoran Association for the Garment Industry and other garment industry representatives (Box III-2).

BOX III-2

El Salvador

Plant Visits/Meetings with Apparel Industry Representatives

Export Processing Zones:	Zona Franca El Pedregal Zona Franca San Marcos Zona Franca San Bartolo Export Salva Free Zone American Park Free Zone
Plants:	Confecciones El Pedregal (El Pedregal) Lindotex (San Marcos) Mandarin (San Marcos) C.M.T. Industries (San Bartolo) Primo Industries (San Bartolo) Textiles Lourdes Limitadas (Export Salva) Hilasal (Export Salva) Industrias Caribbean Apparel, S.A. (Incasa) (American Park)
Trade Associations:	Salvadoran Association of the Garment Industry (ASIC)
Other:	Hampton Industries RAMADA, S.A. Provocaciones, S.A. T&T Systems, S.A. Sara Lee Intimates AMERITEX

- In *Guatemala*, visits were made to nine plants in Guatemala City, Chimaltenango, and San Pedro de Sacatepequez, and meetings were held with representatives of the Apparel Manufacturers Exporters Committee, the Non Traditional Products Exporters Association, the Commission for Coordination of Agricultural, Industrial, Commercial, and Financial Associations, and other garment industry representatives (Box III-3).

BOX III-3

Guatemala

Plant Visits/Meetings with Apparel Industry Representatives

Plants:	Don Sang (Chimaltenango) Dong Bang (Chimaltenango) Lindotex (Chimaltenango) Maquila Cardiz (Guatemala City) Confecciones Caribe (Guatemala City) Camisas Modernas I (Guatemala City) Villa Exportadora (San Pedro de Sacatepequez) (14 shops) Industrias G & V (San Pedro de Sacatepequez) Mundivest (San Pedro de Sacatepequez)
Trade Associations:	Non Traditional Products Exporters Association (GEXPRONT) Apparel Manufacturer Exporters Commission (VESTEX) Committee for Coordination of Agricultural, Industrial, Commercial, and Financial Associations (CACIF) Guatemalan Chamber of Business

- In *Honduras*, visits were made to twelve plants, ten in five EPZs and two outside of the zones; meetings were held with the Foundation for Investment and Development of Exports, the Honduran American Chamber of Commerce, and the Honduran Association of Maquilas as well as with other organizations connected with the apparel export industry (Box III-4).

BOX III-4

Honduras

Plant Visits/Meetings with Apparel Industry Representatives

Export Processing Zones:	Parque Industrial Inhdelva (Choloma) Zonas Industriales Continental (La Lima) ZIP Búfalo Industrial Park (Villanueva) Zona Libre Choloma Galaxy Industrial Park
Plants:	Mainta-OshKosh B'Gosh (Inhdelva) Exportaciones Textiles Exportex (Inhdelva) Certified Apparel Services of Honduras (San Pedro Sula) KIMI of Honduras (La Lima) EuroModa (San Pedro Sula) Confecciones Dos Caminos I-Fruit of the Loom (ZIP Búfalo) Confecciones Dos Caminos II-Fruit of the Loom (ZIP Búfalo) Fabena Fashions (ZIP Búfalo) Olga de Villanueva-Warnaco (ZIP Búfalo) Global Fashions (Zona Libre Choloma) Cosmo Co. (Galaxy) Fénix Co. (Galaxy)
Trade Associations:	Foundation for Investment and Development of Exports (FIDE) Honduran American Chamber of Commerce Honduran Association of Maquilas
Other:	Marssol International Fashion Mart of Honduras Manufactura Textil MATEX ZIP Buena Vista Inter Fashions Banco Ficohsa

- In *India*, Department of Labor officials visited nine plants and met with the American Business Council, the Federation of Indian Chambers of Commerce and Industry, the Apparel Export Promotion Council, and other garment industry representatives in New Delhi, Bombay, Madras, Calcutta, Chandigarh and Tirupur (Box III-5).

BOX III-5

India

Plant Visits/Meetings with Apparel Industry Representatives

Plants:	Duke Fabrics Ltd. (Ludhiana) R.B. Knit Exports (Ludhiana) Ambattur Clothing Company Pvt. Ltd. (Madras) Zoro Garments Pvt. Ltd. (Madras) Orient Craft Ltd. (New Delhi) Pankaj Enterprises (New Delhi) Chenduran Textiles (Tirupur) Ms. Poppys Knitwear (Tirupur) Yuvraj International (Tirupur)
Trade Associations:	American Business Council (Bombay, Madras, New Delhi) Federation of Indian Chambers of Commerce and Industry (New Delhi) All India Employers Association (New Delhi) Delhi Factory Owners' Federation (New Delhi) Progress Harmony Development (PHD) Chamber of Commerce and Industry (Chandigarh and New Delhi) Bengal Chamber of Commerce and Industry (Calcutta) Tirupur Exporters' Association (Tirupur) Apparel Export Promotion Council (Madras and New Delhi)
Other:	Triburg Consultants Pvt. Ltd. (New Delhi) Associated Indian Exports Buying Office (New Delhi)

- In the *Philippines*, visits were made to eighteen plants and three EPZs, and meetings were held with the Garment Industry Subcommittee of the American Chamber of Commerce and several other apparel industry representatives (Box III-6).

BOX III-6

Philippines

Plant Visits/Meetings with Apparel Industry Representatives

Export Processing Zones:	Cavite Export Processing Zone Clark Export Processing Zone Mactan Export Processing Zone (Cebu)
Plants:	Jordache Industries (Cavite EPZ) Castleberry Fashions (Manila) Castleberry Subcontractor (Santa Rita, Batangas) Castleberry Subcontractor (Batangas City, Batangas) Castleberry Subcontractor (San Jose, Batangas) V.T. Fashions (Cavite EPZ) All Asia Fashions (Quezon City) Woo Chang Co. (Cavite EPZ) L&T International (Clark EPZ) A La Mode Garments (Quezon City) Levi Strauss, Philippines (Makati) Mate International (Cebu) Ten Bears, Inc. (Cebu) Go Thong, Inc. (Cebu) Prego-Praxis (Cebu) Mactan Apparel (Cebu) Globalwear Manufacturing Corp. (Cebu) Tokyo Dress, Cebu Corp. (Cebu)
Trade Association:	American Chamber of Commerce, Garment Industry Sub-Committee
Other:	Robelin Resources (Makati, Manila) Renzo Gelmart Fashions Everfit Manufacturing (Paranaque) Liz Claiborne, International (Makati)

In all, Department of Labor officials visited 74 apparel-producing plants and 20 export processing zones. They also met with key officials of the garment industry — and more particularly of the garment export industry — in all six countries.

Four of the 74 plants visited by Department of Labor officials were found not to be exporting at the present time to the U.S. market and were determined to be outside of the scope of the present study.[2] The observations made in this chapter with regard to the implementation experiences of foreign suppliers with codes of conduct of U.S. importers that address child labor are therefore based on the 70 plant visits that fell within the scope of the study. Nine of the 74 plants visited, or 12 percent of the total, were subcontractors to foreign companies that exported garments to the United States.[3]

C. Child Labor in the Apparel Industry

The consensus of government officials, industry representatives, unions and NGOs interviewed by the Department of Labor in the Dominican Republic, El Salvador, Guatemala, and Honduras is that child labor is not now prevalent in their garment export industries. In the very few cases where child labor was mentioned, the children were 14 or older.[4] In India and the Philippines, it was generally acknowledged that most of the child labor in the garment industry is found in subcontracting shops or in homework situations.

There was some anecdotal information about the prior use of child labor times in the garment export industry and currently in subcontracting and homework:

- Labor union representatives in *Honduras* stated that up until about two years ago, child labor was used in the garment export industry. At that time, because of a well-publicized case of an under-age worker,[5] maquila operators dismissed about 2,000 under-age workers. Department of Labor officials received no reports of child labor in the Honduran garment industry at the present time.

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[2] The companies found not to be exporting apparel to the United States at this time (or at least no doing so directly) are Duke Fabrics and R.B. Knit Exports, both located in Ludhiana, India, and Tokyo Dress Corporation and Ten Bears, Inc., located in Cebu, the Philippines.

[3] Three of the subcontracting firms were located in Guatemala and the other six in the Philippines. In Guatemala, they were sub-maquilas producing for Camisas Modernas, a contractor for Phillips-Van Heusen. In the Philippines, three subcontracting firms did sewing for Castleberry, a contractor to JCPenney. A La Mode Garments was a subcontractor to Triumph, Ltd., in Hong Kong, which sells to The Gap. Ten Bears and Go-Thong are subcontractors to Nike. Ten Bears was not producing for export to the United States at the time the company was visited. *See* Boxes III-5 and III-6.

[4] ILO Convention 138 states that the minimum age for work should be not less than the age of compulsory schooling, and in any case not less than 15 years for developed nations and 14 years for developing nations (with some exceptions regarding conditions and hours of work). *See* Appendix F for full text of ILO Convention 138.

[5] In 1994, Lesly Rodriguez, a fifteen year old who had been working for two years in a Honduran maquiladora producing for Liz Claiborne, traveled to the United States under the auspices of the National Labor Committee to present testimony at a Congressional hearing about labor practices in the Honduran garment industry. At the hearing, information was provided that 2% of the Honduran maquila workforce were between the ages of 12-13, 11% were between the ages of 14-15. The figures were based upon a survey of women maquila workers conducted by the Honduran Committee for the Defense of Human Rights (CODEH) between November 1992 and March 1993.

- Labor union representatives stated that the garment export industry of *El Salvador* fears adverse publicity from the use of child labor. Several plant managers explained that they will not hire workers under 18 because they believe that this is the policy of U.S. retailers. For example, Mr. Lee Miles, of Primo Industries commented that because U.S. retailers are concerned about child labor, so are the Salvadoran producers. Plant managers in El Salvador have apparently begun to refuse to hire workers under 18 years of age, despite the fact that workers can legally begin working at age 14.

- In *Guatemala*, the leader of a major labor confederation stated that very young workers are no longer prevalent in the garment maquilas — that is, workers below the minimum age of 14. It was claimed that there are quite a number of adolescents (14 - 18 years old) working in some maquilas; however, the restrictions on the number of hours that adolescents are legally allowed to work are not observed. A Unicef representative confirmed this problem, adding that adolescents often are paid less than adults, and are forced to work overtime. Adolescent workers from the Sunbelt plant in Guatemala City and the Sam Lucas plant in Chimaltenango also confirmed that all employees worked the same hours, including overtime.

  - Three young women working at the Lindotex plant in *Guatemala* reported that the youngest workers in the plant are now 15-16 years old and that in January 1996 all workers under fifteen were fired.

- Kailash Satyarthi, Chairperson of the South Asian Coalition on Child Servitude, reported that children in the *Indian* apparel export industry may be found making T-shirts in Tirupur, woolen garments in Ludhiana, and some embroidery, lace, and folkloric garments in cottage industries and small shops around New Delhi.

- In Tirupur, *India*, the owner of Chenduran Textiles mentioned that young boys may often work as tailor's helpers in small, local garment shops. SAVE, a local NGO in Tirupur, sponsors a night school for children between the ages of 8 and 17. The children work as tailor's helpers during the day and attend school in the evening.

In September 1996, representatives of CODEH told a Department of Labor official that there has been a significant reduction recently in the use of 14-15 year olds, and that most maquilas now hire teenagers 17 years or older. A recent *New York Times* article on the labor situation in the Honduran garment industry supports the observation that children have been removed from the industry over the past two years. *See* Larry Rohter, "Hondurans in Sweatshops See Opportunity," *The New York Times*, July 18, 1996 [hereinafter "Hondurans in Sweatshops"].

Guatemalan labor law provides that 14-15 year olds may work a maximum of six hours per day, 16-17 year olds a maximum of seven hours per day. The labor code prohibits unhealthy or dangerous work by children under 16, as well as night work and overtime.

- Nearly all persons interviewed in *India* mentioned that there is an increased sensitivity and awareness of the issue of child labor in the past 2-3 years. The head of Associated Indian Exports, an apparel buying office in New Delhi, Bangalore, and Bombay, acknowledged that more (foreign) customers are now asking about the use of child labor in the production of garments in India and requiring that none be used.

- An academic expert on child labor in the *Philippines* garment industry told Department of Labor officials that while the use of child labor in garment production has declined in the last few years, some children are still found in subcontracting units and homework.

The field visits also revealed some problems in these countries with the systems normally used to verify the age of workers. In some countries, birth registries are not common and therefore there is no demonstrable method to determine age. In other countries, youths below the legal minimum age procure fraudulent identification cards or fake government permits required to prove that they have permission to work.[8]

- Department of Labor officials were informed by a plant manager in Madras that in southern *India*, birth registries — as known in Western countries — do not exist. Therefore it is extremely difficult to determine the exact age of a young worker. A medical doctor's certificate or school records may be the only ways to determine a person's age.

- In the *Dominican Republic*, plant managers indicated that falsification of the National Identification Card ("cédula de identidad") and other proof of age documents to show an older age and therefore be legally eligible for employment is not uncommon.

- The general manager of a maquila in *Guatemala* (Lindotex, a contractor to JCPenney and Wal-Mart) stated that some young workers try to get jobs using the age documentation of an older sibling. He said his company checks age documents very carefully and conducts a thorough interview to ensure that workers under the age of 16 are not hired. It was generally acknowledged by plant managers and owners that falsified documentation of age was an issue of concern.

- The representative of an NGO (Friederich Ebert Foundation) in *Guatemala* stated that it was quite easy to buy a fake identification card in that country and that young people who want to work — but find that the jobs in the garment maquilas are only available to adults — often use false identification to try to get a job. In some maquilas, management verifies age records and turns down those young applicants with faked documents, but some others are willing to accept them.

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[8] This was observed in Honduras by a *New York Times* reporter who wrote that "... children ... are buying fake documents in an effort to sneak their way back into the apparel plants." See "Hondurans in Sweatshops."

- In the *Philippines*, a plant manager in the Cavite Export Processing Zone stated that birth certificates, normally used to verify the age of job applicants, can be forged or altered. Due to the difficulty in determining age, he said that many employers ultimately rely on the word of the employee. Others require more substantive proof of age.

- Two NGOs in *El Salvador*, CENTRA and the Olof Palme Foundation, commented that although children under 14 are no longer found in the maquilas, some adolescents acquire false documents in order to work. Many adolescents are required to work overtime, in contravention of Salvadoran law.

As stated in Chapter I, the ILO notes that children still work in the garment industry worldwide. However, it is more common to find children in small workshops or in homework. Working conditions are generally worse than in larger formal factories, and the number of hours may be more and amount of pay less. During the course of the Department of Labor field visits, a number of allegations were made that children work in these smaller operations.

- Labor leaders in *Guatemala* had little knowledge of child labor in sub-maquilas, homework situations, or small local production facilities feeding the export market because they only concentrate on conditions in the maquilas. They did note that when larger maquilas make arrangements with smaller shops or subcontractors they do not assume any responsibility for labor conditions.

- The Secretary General of the Confederacion de Unidad Sindical de *Guatemala* (CUSG) stated that the larger garment maquilas subcontract work to smaller businesses, particularly in the San Pedro de Sacatepequez area. This area is described as so notorious that is called "the cradle" or "the city of maquila" because in every home there are women and children sewing "without any rights or legal protections." A few workers interviewed repeated these allegations, as did Guatemalan sociologist Edgar Patres.

- The Director of an *Indian* NGO, Youth for Unity and Voluntary Action (YUVA), stated that in Bhiwande (near Bombay) children may be found in houses used both as dwellings and garment factories. In some of these factories, power looms are operated by children. Dr. Joyce Shankaran, Secretary of the Maharashta, Bombay Department of Labor, confirmed that children work on the looms in Bhiwande. She said that the looms are found within the home, where entire families take on piecework. Dr. Shankaran remarked that the children do not work full-time on the looms, but help after school.

- Mr. A. Sakthivel, owner of Poppy's, a Tirupur (*India*) garment firm, and President of the Tirupur Exporters Association, estimated that at least 5 per-

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The minimum age for work in El Salvador is 14, with a few exceptions. Children under 16 are only permitted to work 6 hours per day, 34 hours per week. Night work is not permitted for children under eighteen.

cent of the Tirupur apparel firms are family-oriented with knitting machines located in the homes. Operations such as sewing buttons and other trimmings are also conducted as part of this homework.

- The head of Yuvraj International, another apparel plant in Tirupur (*India*), said that child labor in the garment industry takes place in more remote areas. Children perform low-skill duties such as cleaning and sweeping. He estimated that small-scale shops or cottage industry constitute 10 percent of the factories in Tirupur.

- Most persons interviewed in the *Philippines*, including government and labor officials and representatives of the American Chamber of Commerce Garment Industry Committee, acknowledged that although child labor is not found in significant numbers in the large garment factories, children do work in subcontracting operations and in homework situations.[10] NGOs such as the National Homeworker's Network (PATAMBA) and the Kamalayan Development Center, a children's advocacy group, confirmed that this is the case. PATAMBA explained that children work as unpaid family labor, assisting their parents at home or accompanying a parent to assist in the factory. The children trim garments and do embroidery and smocking (pleating) as well. PATAMBA officials stated that these children do attend school; however, their grades are poor due to inadequate study time, and they tend to suffer poor health. When production deadlines approach and quotas must be met, pressure to meet an order leads to high rates of school absenteeism as the children stay home to work.

- The Personnel Manager of A La Mode, a garment manufacturer in Quezon City, the *Philippines*, noted that although his firm tries to comply with child labor laws, he cannot personnally vouch for subcontractors. A La Mode produces for Triumph, Ltd. a Hong Kong-based buyer which purchases garments for a number of U.S. brand name apparel firms, including The Gap.

D. Transparency

As has been stated in Chapter II, an important issue regarding the implementation of codes of conduct is their transparency, or the extent to which foreign contractors and subcontractors, workers, the public, NGOs and governments are aware of their existence and meaning.

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[10] A 1990 ILO study reported that in the Filipino clothing industry, "there are an estimated 214,000 workers in small family enterprises, mostly clandestine, in addition to the 450,000 to 500,000 homeworkers who also work in local subcontracting systems for national export industries." See ILO Textile Report at 72. There is no oversight of these firms because they are clandestine; labor conditions are notoriously worse in these areas than in the formal factories. The actual number of children found in garment subcontracting shops and in home settings needs further investigation.

Information gathered by Department of Labor officials during field visits regarding transparency of U.S. corporate codes of conduct is reported in this section, grouped around the following issues:

- Is the foreign supplier aware of codes of conduct developed by U.S. garment importers? Is the supplier familiar with the code of conduct of the U.S. garment importer for which it is producing?
- Does the U.S. company that originated the code of conduct hold training sessions with foreign suppliers (contractors, subcontractors, buying agents) to explain the code? Does the U.S. garment importer require a signed statement certificate of compliance from the foreign supplier indicating that the code has been received and understood?
- Are codes posted in the factory in places accessible to workers? If the code is posted, is it in English or in the native language of the workers?
- Is there a requirement to inform workers about the code? If so, do workers have to be informed in writing, orally, or both?
- How well has information about the codes of conduct been disseminated to foreign government officials, NGOs and the public in general? Have there been efforts to inform the public about the codes of conduct?

1. Foreign Suppliers' Awareness About Codes of Conduct

The voluntary survey of U.S. retailers and garment manufacturers indicated that most U.S. corporations with policies regarding labor standards and child labor had distributed them to their suppliers. A smaller set of respondents indicated that they had actively engaged in communicating their policies to contractors, plant managers, employees, and workers.

In the six countries, Department of Labor officials visited 70 producers of garments currently exporting — or producing for contractors who are exporting — to the United States to learn their degree of awareness about codes of conduct. The majority of the suppliers interviewed produced for one or more U.S. importers identified — either from the survey described in Chapter II or from other public information — as having codes of conduct.

Managers of two-thirds (47 out of 70) of the plants visited that currently export to the United States indicated that they were aware of codes of conduct prohibiting the use of child labor, particularly of the codes issued by their U.S. customers. Based on the company visits, awareness among managers about codes of conduct was highest in El Salvador (all 8 companies visited knew about the codes) and Guatemala (6 out of 9 companies knew); in three other countries visited — the Dominican Republic, Honduras, and the Philippines — managers interviewed were more evenly divided between those who were aware and those who were not; in India, only 2 out of 7 producers visited were aware of U.S. codes of conduct. However, only 34 of the 47 companies that indicated they were aware of codes of conduct had available a copy of the code of conduct (or contractual provision) that they could show and discuss with the visiting Department of Labor official. Thus, managers at less than half of the plants visited were able to produce a code of conduct upon request.

- An observation from *Guatemala* — which seems to be applicable to other countries as well — is that a contractor's specific awareness of codes of conduct seemed to be a function of the U.S. company for which they produced.
    - Contractors and some subcontractors producing for JCPenney and Phillips-Van Heusen had knowledge of the U.S. companies' codes of conduct or policies on child labor and some of them had copies available.
    - Meanwhile, the manager of Don Sang, a Korean-owned maquila that produces mostly for Paul Solary and Marcraft Apparel Group in New York stated that he had never heard of the concept of U.S. company codes of conduct or policies.
- In *El Salvador*, managers of all eight plants visited by the Department of Labor were aware of U.S. codes of conduct and were able either to show a copy of the code of conduct to the Department of Labor officials or had copies of the document posted in public places at the factory.
- In *Honduras*, managers of plants producing under contract for JCPenney, Sears, The Gap, Macy's, Rothschilds and Oxford Industries were aware of the codes of conduct of these corporations and had copies of those commitments.
    - Managers of plants wholly owned by Fruit of the Loom and Warnaco were similarly aware of those companies' codes of conduct; the manager of two Fruit of the Loom factories (Confecciones Dos Caminos I and II) had a copy of the U.S. corporation's "Contractor Code of Conduct" and the Warnaco subsidiary posted their internal regulations in the cafeteria and three workplace areas. The internal regulations contained the Warnaco code of conduct.
    - In contrast, Cosmo and Fénix, two Korean-owned plants producing for Target (Dayton-Hudson), Kmart, Wal-Mart, and Montgomery Ward stated that they did not know about the codes of conduct of their customers.
    - Two other plants visited in Honduras, OshKosh B'Gosh and Exportadores Textiles, stated that they were not aware of codes of conduct or whether their U.S. customers have codes of conduct.
- In the *Dominican Republic*, contractors for Levi Strauss (RK Fashions, Interamericana Products, D'Clase Corporation, and Grupo M), Sara Lee Corporation (BRATEX Dominicana), and JCPenney (Polanco Fashion Interna-

tional) were aware of the codes of conduct of their U.S. customers and had copies of the codes available.

  - In contrast, Toscana Corporation and Pons San Pedro, two U.S.-owned companies in Zona Franca San Pedro de Macoris which subcontract for Kmart, Wal-Mart and Target (Dayton-Hudson), did not know whether their U.S. customers had codes of conduct and were not able to provide any documents that set out the operating policies of the U.S. garment importing companies.

  - Finally, Bonahan Apparel and Hingshing Textiles, Korean-owned corporations producing garments for the U.S. market — under the labels Chaus, Smooth, B&B, Tuxedo Junction, Harmony Clothes, Neema Clothing, Luscasini, First Nighter, and Jacob Sigel — were not aware of codes of conduct at all.[11]

- In the *Philippines*, managers' knowledge about codes of conduct was mixed.

  - The manager of a plant wholly owned by Levi Strauss was familiar with that company's code of conduct and had copies of the document available.

  - Several plants that contract all or a large portion of their production to Liz Claiborne (U.S. Fashion Image, All Asia Fashions, Woo Chang, and L&T International) were also familiar with the codes of conduct of the U.S. importer and had copies available.

  - Two Nike suppliers, Go-Thong and Mactan Apparel Incorporated, both located in Cebu, were aware of Nike's code of conduct and had copies of it.

  - Management of Castleberry, a contractor to JCPenney, became familiar with that company's code of conduct only recently and had a copy available; three of Castleberry's subcontractors, also visited by the Department of Labor, were not aware of JCPenney's code of conduct, however.

  - Similarly, A La Mode Garments, a subcontractor to The Gap, was not aware of The Gap's code of conduct for suppliers.

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[11] Although these producers indicated that they were not aware of the concept of codes of conduct, two workers — and union officials — at these two plants said to a Department of Labor official that they had provided copies of the "Codes for [Korean] Overseas Investment Companies" to the managers of the two plants. The "Codes of Conduct for [Korean] Overseas Investment Companies" were adopted by the Economic Organizations Council of Korea on February 23, 1996. The five economic organizations forming the Council are the National Businessmen Association, Korea Commercial and Industrial Office, Korea Trade Association, Center of the Medium Small-Sized Enterprises Cooperative, and the Korea Employers' Federation. Department of Labor officials learned that representatives of the American Institute for Free Labor Development (AIFLD) made this document available to the Federation of Unionized Workers of Honduras (FESITRANH).

- In *India*, Department of Labor officials found only two companies — Ambattur Clothing Company and Orient Craft — that were aware of the codes of conduct of U.S. apparel importers, and both had copies. These companies produced for large U.S. apparel suppliers Liz Claiborne, The Gap, Ralph Lauren, Sears, and JCPenney.

  - The five other Indian plants that were visited which produced for the U.S. market were not aware of U.S. codes of conduct.[12]

2. Training and Supplier Certification

Several U.S. corporations responding to the survey said that they held training sessions with suppliers about their codes of conduct. Others — particularly retailers — said they inform foreign contractors about their policies/codes of conduct and require each foreign producer to sign a document stating that it has been informed about the code of conduct and its meaning.

Department of Labor officials found that formal training of plant managers and supervisors about the codes of conduct was not common in the six countries visited. Only 14 out of the 47 companies visited where managers indicated awareness about codes of conduct stated that they had received some formal training regarding the U.S. companies' codes of conduct, although it was evident that the intensity of the training varied widely from company to company.[13]

- The clearest example of a formal training program was in the *Dominican Republic*, where contractors stated that Levi Strauss had conducted training on codes of conduct for managers and supervisors of plants throughout the country and had provided the information in both English and Spanish.

  - For example, RK Fashion is a Dominican-owned plant located in Zona Franca La Vega that produces only for Levi Strauss; different levels of managers/supervisors received — and continue to receive — periodic training from Levi Strauss on the implementation of that company's code of conduct.

- In *India*, Triburg Consultants, an Indian agent, administers Liz Claiborne's human rights guidelines. Triburg conveys the guidelines to the supplying company and discusses them with management. Some of Triburg's staff have gone to New York for orientation sessions and total quality management programs conducted by Liz Claiborne. Upon their return, they communicate the information to the Liz Claiborne contractors.

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[12] However, all seven Indian apparel exporters (as distinguished from manufacturers) visited were aware of U.S. buyers' policies that child labor not be used.

[13] The companies indicating they received some training in the codes of conduct from U.S. importers are: Dominican Republic — Hanes Caribe, Grupo M, Interamericana Products, D'Clase Corporation, and RK Fashions; El Salvador — Textiles Lourdes Limitadas; Guatemala — Camisas Modernas and Villa Exportadora; India — Ambattur Clothing Company and Orient Craft; and Philippines — Levi Strauss, Prago-Praxis, Mactan Apparels, and Globalwear Manufacturing.

Some suppliers indicated that they had to certify in writing to their U.S. clients that they had received and understood the codes and agreed to abide by them.[14] For example:

- In the *Philippines*, several Liz Claiborne contractors interviewed in Manila stated that they had signed certificates of compliance with Liz Claiborne's Standards of Engagement which, among other things, prohibit child labor. These contractors also supply Ralph Lauren, Eddie Bauer (Spiegel), May Department Stores, Tommy Hilfiger, and The Gap.

- In *India*, Triburg Consultants, an agent for Liz Claiborne and others, stated that they receive human rights guidelines and mission statements from Liz Claiborne. Agents discuss the guidelines with the suppliers and a common understanding is reached. Suppliers then agree on the guidelines and each signs a document stating that it understands them.

    - Associated Indian Exports, an agent for Sears and other U.S. companies, followed similar procedures regarding the implementation of Sears' Vendor Certification.

3. Posting of Codes of Conduct

A concrete example of transparency of codes of conduct is the voluntary posting of codes of conduct at the workplace, preferably in the native language of the workers. In two of the countries visited — El Salvador[15] and Honduras — there is a legal requirement that companies post their internal regulations, including starting and ending time, rest periods, and disciplinary rules. These internal regulations tend to be very detailed and instruct workers on a range of issues such as rest periods, talking, use of bathroom facilities, and penalties for offenses such as tardiness, absences, or not meeting their production quotas. Thus, workers perceive internal regulations as rules to which they are bound in the workplace.

The plant visits by Department of Labor officials suggest that while posting of a U.S. garment importer's codes of conduct seems to be common practice in El

[14] In a short plant visit, it was difficult for Department of Labor officials to determine how seriously the foreign producers took this certification step. Some companies interviewed had difficulty finding copies of the applicable codes of conduct or the certificates they signed. In the *Dominican Republic*, for example, Denisse Fashion, located in the Zona Franca San Francisco de Macoris, and Polanco Fashion, located in Zona Franca La Vega, stated that they signed and faxed to their U.S. purchaser (Dave Goldberg Industries) a document certifying that they were aware of, and had complied with, the code of conduct. However, company officials stated that they had not retained copies of the signed document.

[15] The Labor Code of El Salvador requires that every private sector employer with more than 10 employees as well as government organizations develop internal work rules, which have to be approved by the Ministry of Labor (Article 302). Rules must be in accord with the Labor Code (Article 303) and address the following topics: a) hours of work; b) rest periods; c) place and time for receiving pay; d) person with whom complaints may be filed; e) disciplinary provisions; f) activities that women and children may not perform; g) medical examinations; h) safety and health; and i) other topics that the Ministry of Labor might direct. Employers are required to inform workers about the rules and post them in places that are easily accessible to workers (Article 306).

Salvador, it is not the norm in the garment industries of the other countries visited. In all, 21 of the 70 plants visited by the Department of Labor officials had posted a code of conduct of a U.S. customer; 7 of such plants (out of 8 visited in that country) were in El Salvador. The number of plants visited in each of the other countries where codes of conduct were posted was: Dominican Republic, 2; Honduras, 1; Guatemala, 2; India, 2; and the Philippines, 7.[76]

- As noted above, posting of codes of conduct was common in *El Salvador*. Department of Labor officials viewed codes of conduct — in Spanish — in the following plants:
    - Lindotex, a Korean-owned company, produces under contract for Hampton, Capitol Mercury, Wal-Mart, The Gap, JCPenney, and Sears. JCPenney, Hampton, and Capitol Mercury each account for approximately 25 percent of production. Wal-Mart, The Gap, JCPenney, and Sears have codes of conduct, which Lindotex orally explains to the workers. Hampton's code of conduct is posted at the entrances.
    - Mandarin, a Taiwanese owned and financed factory supplies garments to Eddie Bauer (Spiegel), The Limited, Liz Claiborne, JCPenney, Casual Corner, and The Gap,[77] among others. The Gap, JCPenney and Eddie Bauer account for 70 percent of production. The Gap's code of conduct is posted at the entrances to the plant.
    - Textiles Lourdes Limitadas, a subsidiary of Fruit of the Loom, exports all of its production to the United States. Fruit of the Loom's code of conduct is posted at the plant.
    - Hilasal, located in the Export Salva Free Trade Zone, Santa Ana, is a joint venture (50-50) between U.S. and Salvadoran investors. The plant manufactures for Sears, Liz Claiborne, and Hampton Industries; Hampton accounts for 80 percent of the plant's production. Hampton's code of conduct — in Spanish — is posted at the entrances.
    - Codes of conduct were also posted at Industrias Caribbean Apparel, S.A. (JCPenney's code of conduct), C.M.T. Industries (Lily of France's and VF Corporation's codes of conduct), and Primo Industries (Liz Claiborne's code of conduct).
    - The only plant of eight visited in this country where a code of conduct was not posted was Confecciones El Pedregal, a subsidiary of Sara Lee.

[76] Department of Labor officials conducting the field visits did not ascertain for how long the codes of conduct had been posted. In some instances, the copies that they viewed appeared to be very new, suggesting that posting might have been a recent action.

[77] In the summer of 1995, the U.S.-based National Labor Committee publicized allegations of violations of worker rights in the Mandarin plant. As a result of the adverse publicity generated, The Gap and other U.S. companies sourcing from Mandarin canceled their orders. In December 1995, The Gap agreed to source again from Mandarin under a system of safeguards that includes independent monitoring for its code of conduct.

- In *Guatemala*, two of the companies visited by the Department of Labor had codes of conduct posted in the plant:

    - Maquila Cardiz, S.A., a contractor to Phillips-Van Heusen, had that company's code of conduct posted on the factory wall — both in English and Spanish.

    - Camisas Modernas, another Phillips-Van Heusen contractor, followed the same practice.

    - Meanwhile, the manager of a Korean-owned maquila (Lindotex) located in Chimaltenango that produces for JCPenney and Wal-Mart said that he normally had his customers' codes of conduct (both JCPenney and Wal-Mart) posted at the plant, but they had been recently taken down while the walls were being repainted.

- In *Honduras*, KIMI, a Korean-owned contractor to The Gap, located in the Continental Park, La Lima, was the only company visited by the Department of Labor that posted a code of conduct. KIMI posted The Gap's code of conduct — in Spanish — in two plant locations.

    - Certified Apparel Services, located in San Pedro Sula, produces for Wal-Mart, Sears, Mervyn's (Dayton-Hudson), JCPenney, Target (Dayton-Hudson), Kmart, William Carter, Bradlees and Meijer. While Wal-Mart, Sears and JCPenney have codes of conduct, copies were not available at Certified Apparel Services in San Pedro Sula. According to the manager, signed copies of the codes of conduct are available in corporate headquarters in Florida (Certified Apparel Services is a subsidiary of Kleinerts, based in Tampa, Florida). He also stated that workers and union leaders have been advised of the corporate codes of conduct, but copies of the documents were not available and they were not posted on factory walls.

- In *India*, only two of the plants visited by Department of Labor officials posted a code of conduct:

    - Ambattur Clothing Company, located in Madras, which used to produce garments for The Limited and currently does so for The Gap, Banana Republic (The Gap), Eddie Bauer (Spiegel), J. Crew, and Liz Claiborne, posted Liz Claiborne's code of conduct — in Hindi — at the factory.

    - Orient Craft, located near New Delhi, which produces garments for Liz Claiborne and Ralph Lauren also posted Liz Claiborne's code of conduct in Hindi outside the factory lunchroom.

- In the *Philippines*, seven plants visited by the Department of Labor had posted a code of conduct.

  - The Liz Claiborne Human Rights Statement, in Tagalog, was posted at the worksites of the four contractors of that company visited.
  - At the wholly owned Levi Strauss subsidiary in Makati, the company's Statement of Aspirations was prominently posted in Tagalog and English.
  - Mactan Apparel and Globalwear, two contractors for Nike in Cebu, posted copies of the Nike code of conduct.

- In the *Dominican Republic*, Hanes Caribe, a U.S.-owned corporation producing for Sara Lee, and Grupo M, a Dominican-owned corporation producing for Levi Strauss, Liz Claiborne, Fruit of the Loom, Kellwood, Tommy Hilfiger, Polo, and Oxford, both had posted codes of conduct in Spanish and English at their plants. Hanes Caribe posted the Sara Lee code of conduct, while Grupo M displayed the Levi Strauss code of conduct.

  - Two other companies visited, Manufactura Borinqueña (Zona Franca San Pedro de Macoris) and Woo Chang Dominican Industry (Zona Franca Bonao), stated that they used to post their companies' internal policies (not codes of conducts per se, but statements to the effect that they complied with domestic laws) but they had stopped this practice a number of years ago because "the companies had been in operation for a long time and workers already knew the rules." These two companies supply garments to U.S. corporations New Age Intimates, Sears, Kmart, and Wal-Mart, among others.

Some foreign producers with multiple U.S. clients each with different codes of conduct stated that the proliferation of codes of conduct — often with different definitions of standards and monitoring requirements — created confusion with regard to implementation. This view was expressed most clearly in the *Dominican Republic*.

- D'Clase Corporation, a Dominican-owned company located in Zona Franca Santiago, which assembles garments for Levi Strauss, Eddie Bauer (Spiegel), Oxford Industries, Haggar Clothing, JCPenney, Lee (VF Corporation), Wrangler (VF Corporation), and Ralph Lauren-Polo, took elements from different U.S. corporate codes of conduct and developed a code of conduct for D'Clase Corporation. D'Clase posts its own code of conduct rather than the codes of its U.S. clients. (D'Clase Corporation's code of conduct includes provisions on working conditions and employment practices and a prohibition on the use of child labor and forced labor.)

- Undergarment Fashions, a U.S.-owned contractor for JCPenney, Victoria's Secret (The Limited), Sears, Wal-Mart, and Kmart, located in the Zona Franca San Pedro de Macoris, did not have knowledge of the codes of conduct of its clients, but had developed — and posted — its own code of conduct ("Best Form Foundation"), which includes provisions prohibiting child labor.

4. Workers' Awareness of Codes of Conduct

Although a significant number of suppliers knew about the U.S. corporate codes of conduct, meetings with workers and their representatives in the six countries suggested that relatively few workers are aware of the existence of codes of conduct, and even fewer understand their implications.

The lack of awareness on the part of workers about codes of conduct may be in part attributable to the relatively low level of effort on the part of producers to inform their workers about the codes. Management regards codes of conduct — and compliance with labor law — to be a management problem, and approaches monitoring and supervision of these matters as management responsibilities. Workers are not seen by management as having a role in these activities.

Department of Labor officials were told by management of 22 of the companies visited that they informed their workers about codes of conduct; 13 of the companies indicated that they inform their workers about codes of conduct orally, while only 9 stated that they do so both orally and in writing.

Out of all of the plants that were visited in the six countries, there was only one example of a producer that had an explicit policy of informing workers about the code of conduct of its U.S. customer:

- As part of a strategy to keep workers informed about company policies and developments, in the *Dominican Republic*, Mr. Victor Polanco, the manager of Hanes Caribe, a subsidiary of Sara Lee, stated that Hanes Caribe had provided copies of Sara Lee's code of conduct — in Spanish — to each worker; held several meetings to discuss the contents and implications of the code; and required that workers attending the meetings sign an attendance sheet acknowledging receipt of the code of conduct.
    - This was confirmed by Mrs. Yokalty Malmolejos Uribe, a former worker at Hanes Caribe, who stated that in addition to providing information on Sara Lee's code of conduct, Hanes Caribe's personnel specialists also made available to workers copies of the Dominican Labor Code and referred to these materials during discussions with workers.

The following examples illustrate the general lack of awareness about the codes of conduct among workers in the six countries visited:

- In *El Salvador*, representatives of major labor organizations [National Federation of Salvadoran Workers (FENASTRAS), Federation of Labor Unions of El Salvador (FESTRAES), National Unity of Salvadoran Workers (UNTS), and Union of Textiles and Related Industry Workers of El Salvador (STITAS)] stated that most workers — and even some labor leaders — do not know about codes of conduct. In addition:
    - Representatives of CENTRA (Centro de Estudios del Trabajo), an organization that conducts research on labor issues in El Salvador, stated

that a survey of one thousand 16-17 year old workers conducted in June-July 1995 found that not a single person had ever heard of a code of conduct.[18]

  - Interviews of workers conducted by the Department of Labor officials confirmed the workers' lack of knowledge about codes of conduct. For example, of a dozen workers interviewed outside of the San Marcos Free Trade Zone, only one said she knew about codes of conduct. In three interviews of maquila workers held in a small neighborhood near a free trade zone, two of the workers had never heard of a code of conduct, and one had heard about it from a friend who worked in the free trade zone. The worker interviewed "knew" that only women over 18 years of age were hired in the zone.[19]

- In the *Dominican Republic*, workers had very little knowledge about the codes of conduct of U.S. companies whose garments they produced.

  - Most workers appeared to be surprised that such policies exist at all, and had never seen or heard of codes of conduct prior to being interviewed. Some workers expressed frustration at the disregard for their right to have access to information which may improve the general environment in which they worked.

  - The workers best informed about codes of conducts were those participating or involved in labor union organizing. Labor unions, such as the National Federation of Free Trade Zones Workers (FENATRAZONA), provided workers with general information on codes of conduct and worker rights.

- In *Honduras*, workers of the KIMI plant, a Korean-owned company that contracts with The Gap, are aware of The Gap's code of conduct. A representative from The Gap explained its code of conduct to KIMI's workers, but no specific training was provided. As was discussed in the previous section, KIMI was the only one out of twelve plants visited in Honduras that posted the code of conduct of a U.S. customer.

  - The national leadership of two major union organizations interviewed [Central General of Workers (CGT) and Confederation of Workers of Honduras (CTH)] was aware of The Gap's code of conduct, but not of the fact that other U.S. importers had similar codes.

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[18] This startling result may be explained by two factors: 1) workers in the age group that was surveyed by CENTRA typically have very short job tenure and may not yet have been exposed to codes of conduct in their workplace and 2) the study may have posed the question about codes of conduct using the term "codigos de conducta," which young workers may have interpreted as a code of ethical behavior of workers in the workplace rather than as guidelines on the behavior of employers.

[19] As mentioned above, the policy of only hiring workers who are 18 or over seems to be a voluntary decision taken by El Salvador's garment export industry and is higher than the legal minimum age for employment set out in the Salvadoran Labor Code.

- In *Guatemala*, representatives of UNSITRAGUA (Union of Labor Organizations of Guatemala), the main confederation of workers in the country, had limited knowledge and understanding of the codes of conduct of U.S. companies due to information received from U.S. labor unions, and believed that Guatemalan workers are completely unaware of them.

  - Mr. Juan Francisco Alfaro, Secretary General of the Guatemalan Confederation of Labor Unity (CUSG), seemed somewhat knowledgeable that corporate codes of conduct existed in the United States, but stated that they are not known in Guatemala; if some maquilas know of them, he does not believe they are effectively implemented and he believes that the workers are not informed.

  - Representatives of the Central General of Guatemalan Workers (CGTG) were not aware of any U.S. corporate codes of conduct.

  - Meetings with garment workers conducted outside of plants in Guatemala City, Chimaltenango and San Pedro de Sacatepequez demonstrated that these workers are unaware of any U.S. company code of conduct or policy on child labor, although they are aware of the maquila industry's move not to hire under-age workers.

  - A representative of the garment industry stated that some maquila managers are aware of U.S. corporate codes of conduct; even if workers in these plants do not know about the codes of conduct, the codes are playing a positive role as they are being implemented and companies are conducting audits to monitor behavior.

  - The manager of a maquila plant (Confecciones Caribe, S.A.) stated that there was no need to inform the workers about the codes because they should already know the Guatemalan labor code and the corporate codes do not add anything new to the country's labor law.

- In *India*, trade union representatives in Tirupur (from the Janatha Dal Labor Federation) were not aware of any U.S. corporate code of conduct or terms of engagement for garment exporting companies.

- In the *Philippines*, some workers at subsidiaries of U.S. corporations or large contractors for major U.S. corporations were aware of codes of conduct through posting at the worksites.

The alleged low literacy level of garment workers is sometimes used to justify the non-posting of codes of conduct within factories. In the case of the *Dominican Republic*, Mr. Eddy Martinez, Executive Director, Dominican Association of Free Trade Zones (ADOZONA), stated that since the literacy level of free trade zone workers is low, communication is often conducted orally. This sentiment is obviously held by many free trade zone employers; seven out of 10 companies (70 percent) visited in the Dominican Republic that informed workers about codes of conduct did so orally. In contrast with these statements, employers also stated that they prefer to hire workers who are able to read and write, as they are better equipped to follow directions.

In fact, all workers interviewed by the Department of Labor official in the *Dominican Republic* were shown copies of a sample code of conduct and their reading skills were sufficient to understand its contents. Although the argument of illiteracy as a reason for not making copies of codes of conduct available to workers has been raised in the case of the Dominican Republic, it is clear that it is a pervasive one and probably applies to the garment industries of most developing countries. Whether it has merit, however, is doubtful.

As was discussed in the previous section, codes of conduct are sometimes posted in factories. Yet discussions with workers and their representatives revealed a lack of awareness of codes of conduct and their implications for workers. Possible explanations for this apparent contradiction may be that:

- the posting of the codes is a very recent phenomenon, and workers have not had time to learn about their existence and absorb their contents;
- workers put in long hours — particularly when transportation time to and from their jobs is taken into account — and have very little unstructured time while they are within the plants to read materials posted on bulletin boards; and
- workers generally read bulletin boards for the rules they must follow — and disciplinary consequences if they fail to do so — and equate materials posted by management with work rules. They may not have grasped that corporate codes of conduct refer to the behavior of employers rather than their own.

It is quite clear from the field visits that posting of codes of conduct alone has not had the desirable effect of making workers aware of their existence, and active steps to educate workers about the codes of conduct is required.

5. Dissemination of Codes of Conduct

While it is most critical that overseas contractors, subcontractors and their workers be familiar with corporate codes of conduct, knowledge about their existence and implications by others — host governments, NGOs, business organizations — can also be helpful in enhancing their effectiveness. Department of Labor officials found a mixed record regarding the extent to which these entities were familiar with codes of conduct and their implications.

- In the *Dominican Republic*, Secretary of Labor Rafael Alburquerque was knowledgeable about codes of conduct and their use as a tool to improve working conditions. As the author of the Dominican Labor Code of 1992, Secretary Alburquerque was also very familiar with the current provisions regulating the employment of minors in the Dominican Republic. He stated that the Ministry of Labor had engaged in a public awareness campaign to disseminate information on labor standards; the Ministry published and distributed copies of the new labor code to employers, labor unions, and many NGOs.

- Most NGOs interviewed were knowledgeable about the existence and content of codes of conduct in the garment industry. The American Institute for Free Labor Development (AIFLD) representatives in the Dominican Republic work closely with local labor unions and NGOs in providing information on codes of conduct and international labor standards.

- Other NGOs, such as the Research Center for Female Action (CIPAF) and OXFAM-UK, have also taken active roles by developing a public awareness campaign to call attention to working conditions in the FTZs and the use of codes of conduct to improve the well-being of these workers. A joint publication by CIPAF and OXFAM, entitled *En el Paraiso/In Paradise*, established as one of its goals the need: "to make local entrepreneurs and large international corporations aware of the need to formulate and enforce codes of conduct that proclaim the companies' sense of responsibility towards their workers."

- In contrast, the American Chamber of Commerce in the Dominican Republic was unaware of the existence of codes of conduct for the garment industry or how these codes were being implemented in the FTZs. Mr. Arthur E. Valdez, Executive Vice President, stated that his member companies have not provided the Chamber with copies of U.S. companies' codes of conduct and requested such information from the visiting Department of Labor official.

- In the *Philippines*, government officials and political leaders who met with Department of Labor officials were somewhat aware of corporate codes of conduct. When informed further, they thought that the codes could have a positive impact.

  - NGOs which met with Department of Labor officials seemed vaguely aware of corporate codes of conduct.

  - Most of the union leaders interviewed were not familiar with corporate codes of conduct.

  - However, the Chairman of the American Chamber of Commerce Garment Industry Committee, Mr. Robert Robbins, and representatives of Levi Strauss, Liz Claiborne, Gelmart (which produces for Playtex) and two contractors that produce for Renzo, a U.S. importer for JCPenney and other U.S. retailers and name brands, stated that the Chamber takes the issue of codes of conduct seriously and tries to keep its members informed.

- In *El Salvador*, the Minister of Labor indicated familiarity with codes of conduct, emphasizing that they were strictly private agreements between the U.S. apparel importers and their manufacturers. The Minister of Labor expressed no objection to codes of conduct, but stated that since they were not national law, they were not enforced by his Ministry.

    - Several NGOs interviewed [FOES (Salvadoran Worker/Management Foundation), PROCIPOTES (Project to Integrate Children into Work, Education and Health), and Olof Palme Foundation] indicated a lack of knowledge about codes of conduct.

    - Representatives from CODYDES (Organization of Fired and Unemployed Workers of El Salvador), a maquila worker rights organization, indicated that they had first learned about codes of conduct in February 1995 but had actually never seen one.

- In *India*, Mr. Bajpai, Executive Director, American Business Council in New Delhi, who represents the interests of U.S. companies in India, indicated that he was not aware of buyers' codes of conduct, and requested more information on them.

    - Mr. Anand, Federation of Indian Chambers of Commerce and Industry (FICCI) in New Delhi, said codes of conduct are not shared at the Chamber of Commerce level. However, at the factory level, companies are trying to comply and implement the codes.

    - In the Punjab, all people interviewed — including government officials, factory owners and managers, union officials and workers — did not know anything about U.S. companies' codes of conduct, policies or guidelines.

- In *Honduras*, the Vice President of the Honduras American Chamber of Commerce (HAMCHAM), Mr. Raymond Maalouf, was not aware of U.S. corporate codes of conduct. HAMCHAM, however, leaves all matters related to the apparel industry to the Honduran Association of Maquilas.

    - The National Commission on Human Rights (CNDH) was aware of The Gap's code of conduct and had a meeting with officials of Liz Claiborne to discuss child labor and codes of conduct. According to Lic. Rolando Arturo Milla of CNDH, Liz Claiborne representatives stated that it was their intention to name a representative in Honduras to monitor its code of conduct.

    - The Committee for the Defense of Human Rights of Honduras (CODEH) was aware of The Gap's code of conduct and was disappointed that CODEH had not been requested by any company to monitor a code of conduct.

- In *Guatemala*, government officials were aware of a code of conduct being developed in the country by the domestic apparel export industry,[21] but had little awareness of U.S. corporate codes of conduct. Most NGOs had little knowledge about U.S. corporate codes of conduct, but opined that they would be beneficial if properly implemented and monitored.

E. Monitoring

U.S. corporations responding to the Department of Labor survey described a variety of ways their codes of conduct were monitored. Several of the respondents referred to "pre-contract" evaluation of prospective contractors to identify and screen out potential violators of codes of conduct. Others referred to active monitoring schemes conducted internally, externally, and by outside auditors or NGOs. Still other respondents said that monitoring of their codes of conduct is carried out through contractual arrangements, whereby the contractor guarantees or certifies (in writing) that the goods have been produced in accord with the child labor policy of the importing firm.

Information regarding the monitoring of codes of conduct gathered by the Department of Labor during field visits is reported in this section, clustered around the following issues:

- Are the labor standards components of the codes of conduct, including child labor, monitored? How is the monitoring carried out?

- Are foreign plants subject to on-site internal visits (i.e., visits by U.S. company personnel to subsidiaries and foreign contractors), external visits (i.e., visits by U.S. importers and foreign buyers agents to foreign contractors) or auditor visits (i.e., visits by paid auditors or consultants) to monitor their production facilities? What is the purpose of such monitoring? Are monitoring visits announced or unannounced?

- With whom do monitors speak during visits? Do they speak with managerial personnel only, or do they also speak with workers? If they speak with workers, where do they do it? Are managers present when monitors speak to workers? Do monitors speak the native language? Are interpreters used?

1. Monitoring for Quality

Monitoring of foreign producers — including plant visits — by U.S. importers is a routine procedure in many industries. The garment industry, where the appearance of a product and timeliness of orders are critical, is well-known for the close monitoring of foreign producers by importers and their agents.

a. Purpose of Monitoring

All 70 plants exporting garments to the United States visited by Department of Labor officials confirmed that they are subject to regular visits by their U.S. customers or their agents to verify product quality and to coordinate production and

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The reference is to the code being developed by the Apparel and Textile Industry Commission of the Association of Exporters of Non-Traditional Products (VESTEX).

delivery schedules. About 90 percent of the companies visited stated that monitors/inspectors verifying product quality generally also examined working conditions in the plant, with emphasis on safety and health issues (climate control, ventilation systems, fire escapes, etc.). Among the exceptions were:

- In the *Dominican Republic*, Bonahan Apparel and Hingshing Textile companies, located in Zona Franca Bonao, received visits from their U.S. customers, including Chaus, Tuxedo Junction, and Jacob Sigel. According to the companies' administrator, Mr. Chunciob Lim, these visits were only related to product quality and did not address working conditions.

- In *India*, Pankaj Enterprises (located in New Delhi) and Chenduran Textiles, Poppys Knitwear, and Yavraj International (located in Tirupur) stated that visits from U.S. customers or their agents were focused exclusively on product quality. Zoro Garments (located in Madras) stated that monitoring dealt only marginally with working conditions and no checklist was used.

b. Previous Knowledge About Monitoring Visits

Whether monitoring visits are announced or unannounced differs widely from company to company. In 41 of the companies interviewed (58 percent), monitoring visits by the U.S. importer or its agent or representatives were announced in advance, in 13 (18 percent) they were unannounced, and in 16 (23 percent) there were both announced and unannounced visits.

c. Pre-Contract Inspections

Consistent with the information provided by U.S. garment importers (Chapter II), foreign producers interviewed that operate as contractors indicated that, prior to receiving an order from a U.S. corporation, they were subjected to qualification inspection, which extended to working conditions. For example:

- In *Guatemala*, Dong Bang, located in Chimaltenango, reported that JCPenney inspected their facilities — including working conditions — prior to entry into a contract. Once they became contractors, JCPenney had again conducted inspections and given them written ratings based on a point system.

    - Maquila Cardiz reported that JCPenney inspected its current facility before it could change locations and made recommendations for the new facility.

    - Confecciones Caribe had been subjected to a pre-contract inspection by JCPenney and received a point rating.

- A similar experience with the JCPenney point rating system was brought up by management of Undergarment Fashions, a plant located in the Zona Franca San Pedro de Macoris in the *Dominican Republic*.

2. Monitoring for Codes of Conduct

While monitoring for product quality, and even for health and safety conditions, is customary in the garment industry, the field visits by Department of Labor officials suggest that monitoring for compliance with provisions of the codes of conduct of U.S. garment importers dealing with other labor standards — and child labor in particular — is not. Where it does occur, the degree to which such monitoring extends to all labor standards addressed by the codes — as opposed to exclusively safety and health issues — seems to vary widely across suppliers. Foreign suppliers that are wholly owned by a U.S. corporation, or contract directly with a U.S. corporation with a presence abroad, seem to be subject to the most frequent and most thorough monitoring of codes of conduct, including child labor and other labor standards.

Monitoring for implementation of child labor provisions of codes of conduct is a very challenging undertaking. As has been discussed in Chapter II, the garment industry is made up of a complex chain of actors, domestic and foreign.

- On the domestic front, there are apparel manufacturers (which may be producers or buyers of cloth, contractors or subcontractors, and also retailers of finished product), apparel merchandisers, buying agents (which may be located domestically or abroad), and retailers (which may be department stores, mass merchants, specialty stores, national chains, discount, off-price stores, etc.).

- On the foreign front, there are buying agents, company representatives, wholly owned subsidiaries of U.S. companies, U.S.- or foreign-owned contractors that have an established relationship with a U.S. importer ("captive" contractors), contractors which have relationships with more than one U.S. importer, and subcontractors.

Implementation of the child labor policies of U.S. apparel importers involves communication and interaction between many of these actors. The very long chain of actors and transactions in U.S. importers' procurement of foreign apparel products is illustrated in Box III-7 with an example drawn from the field visit by the Department of Labor to the Philippines. In the example, the procurement/manufacturing process of apparel imported by a U.S. retailer involved five different actors, each farther removed from the U.S. importer.

Generally, the closer the relationship between a U.S. company importing garments and the actual producer of the items, the greater the ability of the U.S. company to influence labor standards, including prohibitions on child labor, in the production process. Conversely, the longer the chain of procurement/production (five steps in the above example drawn from the Philippines), and the more levels of buying agents, contractors, and subcontractors, the more complex and challenging is the implementation of the labor standards policies and the less the ability of the U.S. importers to influence them.

BOX III 7

Organization of Production and Implementation of Codes of Conduct: An Example from the Philippines

U.S. retailer JCPenney has "Foreign Sourcing Requirements" that apply to all of its suppliers. Among other provisions, the sourcing requirements state that "JCPenney will not knowingly allow the importation into the United States of merchandise manufactured with illegal child labor." With regard to the Philippines:

1. **JCPenney** purchases infant and children's apparel from Renzo, a U.S.-based importer. Pursuant to its sourcing requirements, JCPenney requires Renzo to certify that its imports are not made with child labor.

2. **Renzo** imports from its Philippines agent, Robillard Resources. Renzo communicates to Robillard the JCPenney sourcing requirements and its obligations and requires Robillard to sign a certificate that its products are not made with child labor.

3. **Robillard** purchases from a number of contractors in the Philippines, one of which is Castleberry. Robillard requires Castleberry to certify that its products are not made with child labor. The owner of Robillard visits Castleberry from time to time monitoring for quality control, but also for compliance with the sourcing requirements. Occasionally, a representative from JCPenney also visits.

4. Contractor **Castleberry** does cutting, finishing, and packing. It subcontracts sewing to about thirty plants.

5. The thirty or so **subcontractors** who do the sewing do not sign a certificate stating that no child labor has been used, but are supervised by Castleberry line supervisors, who are each responsible for several subcontractors. They spend almost their entire time with the subcontractors. Occasionally, a production supervisor from Castleberry also visits. It is apparent that their primary interest is quality control, but they also monitor compliance with other standards, including child labor requirements. It is safe to say, however, that none of these supervisors are familiar with the code of conduct other than an understanding that they are not supposed to allow child labor. Embroidery and "smocking" (a form of very small and intricate pleating, sometimes combined with embroideries) is subcontracted out to home workers; some is done within the plants as well.

6. **Homework contracts** — piece work contracts — are made with heads of households. Children may help their parents with some of the simpler embroidery and smocking and with the trimming. This is not monitored by any company.

a. Monitoring Methods

As discussed in Chapter II, U.S. companies utilize a variety of means to monitor their codes of conduct or policies on labor standards and child labor.

- Many companies use some form of active monitoring — which might include site visits and inspections by company staff, buyer agents or other parties — to verify that suppliers are actually implementing the provisions on labor standards and child labor.
- Companies may also use contractual monitoring, whereby they rely on the guarantees made by suppliers, typically through contractual agreements or certification, that they are respecting the U.S. company's policy and not using any child labor in production. This latter form may be seen as self-certification.
- Some companies use a combination of the two forms of monitoring, typically relying on contractual monitoring backed up with visits and inspections.

All three of these monitoring strategies were found in the field visits.

b. Active Monitoring

A few U.S. corporations — particularly manufacturers — tended to have structured monitoring of all aspects of their codes of conduct and subjected their foreign subsidiaries to such disciplines. Based on the plant visits, instances of active monitoring by U.S. corporations of their foreign subsidiaries include:

- In the *Dominican Republic*, Hanes Caribe (Zona Franca Las Americas) and Tejidos Flex (Zona Franca Santiago) were subjected to structured monitoring.
    - Both companies received periodic visits, sometimes as often as every 2-3 weeks, by upper level managers and occasional visits by Vice Presidents of Sara Lee Corporation.
- In *Honduras*, Fruit of the Loom owns five plants (Confecciones Dos Caminos, 2 plants; Manufacturas Villanueva; El Porvenir; and Productos San José). A Senior Vice President makes monthly monitoring visits.
- In the *Philippines*, Levi Strauss regularly monitors its subsidiary.

Some U.S. companies (manufacturers or retailers) that contract directly with foreign suppliers also appear to play an active role in monitoring their codes of conduct. In some instances, companies interviewed said that the monitoring activities by the U.S. importer covered all aspects of codes of conduct, including child labor policies. Responses from others were less categorical, suggesting that the emphasis of monitoring may have been only on safety and health issues.

- In the *Dominican Republic*, Levi Strauss' contractors received periodic visits to their facilities to monitor compliance with all aspects of codes of conduct. Levi Strauss has an office in Santiago which is responsible for overseeing its Dominican operations.[22]

    - Some companies also received visits by U.S. importers or retailers. The General Manager of Undergarment Fashions, Inc. (Zona Franca San Pedro de Macoris) stated that JCPenney makes periodic monitoring visits to the company.

- EuroModa is a *Honduran* company producing shirts for Oxford Industries, Tommy Hilfiger, May Department Stores, Dillard Stores, JCPenney-Stafford Executive, Polo Boys and Brooks Brothers. Oxford Industries monitors compliance with its "Contractor Sourcing Policy"; May Department Stores and JCPenney send their own inspectors for contract compliance; each label owner will have someone make visits 2 or 3 times per year for contract compliance.

- Also in *Honduras*, The Gap has a country representative who makes weekly unannounced visits to KIMI, a contractor for The Gap, to monitor compliance with all aspects of the Code of Vendor Conduct.

- However, another *Honduran* company, Certified Apparel Services, that produces for Wal-Mart, Sears, Mervyn's (Dayton-Hudson), JCPenney, Target (Dayton-Hudson), Kmart and other U.S. companies with codes of conduct, stated a regional representative of JCPenney made one announced visit regarding compliance with its code of conduct. Wal-Mart also made one announced visit to determine compliance with its code. According to this company, there is no systematic verification of compliance with codes of conduct by purchasers.

- In *India*, the Department of Labor officials found an example of monitoring of codes of conduct by an outside monitor on behalf of a U.S. importer:

    - Triburg Consultants is an Indian company located near New Delhi which implements the terms of engagement and quality control requirements of U.S. garment importers. Triburg's clients include The Gap (for the last 12 years), Liz Claiborne, Banana Republic (The Gap), Polo Jeans, Sun Apparel of Texas, and Ralph Lauren.

    - Triburg administers Liz Claiborne's human rights guidelines: it conveys the guidelines to the supplier company, discusses them with the company, and confirms that the supplier abides by the guidelines. Triburg also conducts surprise visits to monitor compliance. Triburg hires a welfare officer to conduct programs for the children of workers and check on wages, food subsidies, and medical facilities.

During an interview with Mr. Francisco Polanco, Human Resources Manager of RK Fashion (Zona Franca La Vega) — a Levi Strauss contractor — he stated that Levi Strauss' monitors have asked many of the same questions regarding the implementation of its code of conduct as the Department of Labor official visiting the plant.

While most monitoring visits by U.S. corporations or their agents appear to be regularly scheduled or announced in advance, there are some instances of unannounced visits:

- In *Guatemala*, a Department of Labor official was consistently told that JCPenney conducted unannounced inspections of contractors. Unannounced monitoring visits of contractors by Kmart personnel were also reported by Dong Bang, a Korean-owned facility located in Chimaltenango, and Confecciones Caribe, a U.S.-owned company located in Mixco. According to Dong Bang officials, Kmart personnel recently completed the second unannounced visit to this plant in three months.

- In *India*, Triburg stated that it conducts surprise visits on behalf of U.S. companies (particularly Liz Claiborne) to monitor code compliance by contractors.

- In *Honduras*, it was reported that the Audits Department of Warnaco audits contractors three times per year. These audits are unannounced.

- Also in *Honduras*, weekly visits by the representative of The Gap to KIMI are unannounced.

- However, in the *Dominican Republic*, Interamericana Products (Zona Franca Santiago) stated that they had requested, and Levi Strauss representatives had agreed, to stop making unannounced visits to monitor compliance with codes of conduct. Interamericana Products indicated that under the agreement Levi Strauss would give at least a week's notice prior to any visits to the plant.

c. *Contractual Monitoring*

There was also evidence from the field visits of numerous instances of contractual monitoring of codes of conduct. Contractual monitoring of codes of conduct is most prevalent in the case of U.S. retailers which do not have a significant presence abroad.

In these situations, the burden of monitoring compliance with the U.S. importer's child labor policies rests with the foreign agent, contractor or subcontractor, typically through a self-certification process. In these instances, the role of the U.S. importers in monitoring compliance of their codes of conduct is minimal.[25] For example:

- In *Honduras*, Fabena Fashions is required by Macy's and Wal-Mart to sign a contract which includes a no child labor clause.

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[25] U.S. companies interviewed in Chapter II stated that even where there is contractual monitoring, representatives of the importer verifying quality of product would get involved in addressing violations of labor standards that might come to the inspector's attention during the visit.

- In *India*, Chenduran Textiles, located in Tirupur, exports about one-half of its output to the United States. The main U.S. customer is Tropic Textiles of New York City, a supplier to Wal-Mart. Tropic requires Chenduran to certify that no slave labor or child labor was used in the production of the goods through a paragraph in the contract bill of lading. Tropic accepts Chenduran's self-certification of the clause and does not have any in-country monitoring, education, implementation, or enforcement programs.

- Also in *India*, Pankaj Enterprises, New Delhi, is an exporter of mid-grade apparel items. Pankaj's U.S. buyers require that no child labor be used in the manufacture of garments. Pankaj buys fabric and guarantees that no child labor is used in the production of garments through self-certification; there is no monitoring from the importer or its agents.

d. Contractual and Active Monitoring

In some instances, U.S. importers use a combination of contractual and active monitoring, using auditors from the U.S. importer (or its agents) to verify compliance.

- In the *Philippines*, Liz Claiborne has a policy of monitoring and supervising its contractors. Contractors must certify that they are in compliance with the code of conduct. In addition, they are subject to frequent visits from the Philippines office of Liz Claiborne, which monitors implementation of the code of conduct as well as quality control.

- Warnaco, which requires that contractors certify that child labor has not been used, also audits suppliers in *Honduras* for full compliance with its child labor policies, including age verification.

    - Macy's, Wal-Mart, and The Limited have checked personnel records at Fabena Fashions to verify the age of workers.

- In *India*, Zoro Garments supplies 75 percent of its production to the U.S. market. Zoro's major U.S. customers are Rustic River, Quick Silver, Blue Print, and JCPenney (Phillips-Van Heusen is a former customer).

    - According to Zoro's management, occasionally representatives from the U.S. customers have visited Zoro's factory to check on quality control. Most of these visits were walk-throughs with some general questions raised about the use of child labor, but no checklist of requirements was administered.

    - Two or three years ago, Phillips-Van Heusen raised the subject of codes of conduct with Zoro's management and asked the company to fill out a questionnaire. When Zoro was producing for Phillips-Van Heusen, there was a clause in its contract related to child labor.

- In *El Salvador*, Primo Industries, a contractor for Liz Claiborne, Land's End, Polo and JCPenney, met with Liz Claiborne several years ago to discuss and sign the Liz Claiborne code of conduct. The plant manager told Department of Labor officials that Liz Claiborne is "the toughest on child labor." He also said that American inspectors visit the plant approximately twice a month to check on quality control and see whether their rules and regulations are being implemented.

3. Monitoring Procedures

Closely related to the above issues is how the monitoring of the codes of conduct is undertaken, specifically whether workers and members of the community in which plants are located are also approached by the monitors, whether monitors are able to speak with workers outside the presence of company officials, the ability of monitors to speak the language of the host country and workers, and the extent to which monitors are trained to review implementation of labor standards.

Based on the field visits, it appears that most monitoring conducted by U.S. corporations primarily covers quality control issues. As such, there seems to be relatively little interaction between, on the one hand, monitors, and on the other hand, workers and the local community. It also appears that monitors have a technical background in production and quality control and are relatively untrained with regard to implementation of labor standards.

Department of Labor officials found the following exceptions to these generalizations, however:

- In the *Dominican Republic*, managers of plants contracting for Liz Claiborne (Grupo M) and Levi Strauss (Grupo M, Interamericana Products, and D'Clase Corporation) stated that monitors routinely speak with workers inside the plant regarding both product quality and working conditions. Monitors talk to workers about their ages when appropriate.
    - Mr. Roberto Rodriguez of Hanes Caribe stated that internal auditors from Sara Lee Corporation often meet with workers in private.
    - D'Clase Corporation stated that for a recent contract negotiated with the Kellwood Corporation, an outside firm had been hired by Kellwood to monitor compliance with quality and labor standards matters. Monitors would be expected to talk to the workers to verify age, among other matters.[24]
    - The General Manager of Woo Chang Dominican Industry (Zona Franca Bonao), a plant which sells to Samsung Corporation, stated that when Samsung representatives visit the plant, they ask the workers how they are being treated.

[24] In a follow-up telephone interview with management of D'Clase Corporation, the Department of Labor was informed that California Safety Compliance Corporation (CSCC) had been hired to audit the Kellwood contract. CSCC auditors have already interviewed 8 workers at the D'Clase plant.

- In *El Salvador*, management of CTM Corporation, a contractor to VF Corporation, indicated that the U.S. purchaser monitors the facilities approximately every six months. In the context of these visits, VF personnel review working conditions in the plant, and check on child labor by looking around and asking workers; occasionally they conduct private interviews with workers.
  - However, some workers at the same plant interviewed by the Department of Labor officials said that the (foreign) monitors do not speak with workers; they believe the monitors do not speak Spanish.

- In *Honduras*, the country-based investigator for The Gap said that he monitors implementation of the company's code of conduct at different locations, saying that he talks to workers during plant visits.

- In the *Philippines*, managers of two plants producing for Nike (Mactan Apparel and Globalwear Manufacturing, Inc.) as well as a representative from Nike stated that its auditors talk to workers and inform them about its corporate code of conduct and Filipino labor law.

- In contrast, workers interviewed outside the Sam Lucas plant in Chimaltenango, in *Guatemala*, stated that they had never seen an inspector talking to a worker. They could not be certain that representatives from a U.S. corporation had ever visited the plant.

F. Enforcement

As discussed in Chapter II, enforcement of corporate codes of conduct depends on the system used by U.S. corporations to ensure compliance. Corporations responding to the survey indicated that they used a graduated system to respond to violations, including: a) monetary fines or penalties; b) probationary status; c) demand for corrective action; d) providing education (particularly where child labor violations are involved); e) cancellation of an individual contract; and f) severance of the relationship. Positive reinforcement included: a) retention of current contracts; and b) awarding of additional contracts.

Information regarding enforcement of codes of conduct is reported in this section, arranged around the following issues:

- What corrective measures do U.S. corporations use to address violations of their codes of conducts by foreign suppliers?

- What specific mechanisms are used by U.S. corporations to reward suppliers which comply with codes of conduct?

1. Corrective Measures

As has been discussed above, Department of Labor officials learned that many U.S. corporations engage in extensive screening of foreign garment contractors prior to entering into a supply relationship. The purpose of the screening process is primarily to set aside companies that did not have the ways and means to carry out quality production. The contractor's ability to comply with labor standards provisions in codes of conduct — and child labor provisions in particular — is increasingly part of the screening process.

- For example, in *El Salvador*, Lindotex representatives stated that before starting production for a new foreign purchaser, representatives of the purchaser come to El Salvador and inspect local companies to see if they qualify. These inspectors look at whether companies comply with national laws with regard to pay, overtime, child labor, bathrooms per worker, occupational hazards, etc. Workers must show a birth certificate or other official document showing age to be hired.

- In *India*, Associated Indian Exports, an apparel-buying office located in New Delhi with regional offices in Bangalore and Bombay, operates as a middleman or facilitator between foreign purchasers and Indian producers and currently represents Sears, Wheat Seal, and Casual Corner. Most of its U.S. customers require that the Indian producers sign a declaration containing a statement that no child labor was used in the production of the item. (If a contractor uses a subcontractor, it must also certify for the subcontractor.)

  - For example, Sears has a 20-page survey questionnaire that the Indian supplier must sign; other U.S. importers have a 2 to 5-page agreement. For each potential supplier to Sears, Associated Indian Exports administers the 20-page questionnaire/evaluation form, including the taking of photographs of the production area. Sears' central office must be satisfied with the results of the supplier survey before it enters into a contract.

  - If a potential Sears supplier is rejected, the supplier is told why and what needs to be done to correct any deficiencies. There is no regular inspection or monitoring of the requirements of a supplier once it is certified, but each supplier must undergo re-certification every 3 years.

Companies that have passed the screening process and have become contractors of U.S. corporations may face a range of corrective measures should they fall short in complying with the code of conduct. For example:

- In *Guatemala*, although garment contractors and subcontractors were unable to articulate the U.S. companies' policies to address violations of their codes of conduct, they expressed great concern about the possibility of losing their contracts if they were found to have child labor problems.

  - At Lindotex, an inspector from The Gap recently recommended that the company provide more fire extinguishers.

  - A representative of Phillips-Van Heusen stated that in May 1996, his company had identified three young workers (under 15 years of age) in a plant operated by a subcontractor in San Pedro de Sacatepequez. Upon learning of their presence, Phillips-Van Heusen required the company to dismiss the three young workers immediately.

- In the *Dominican Republic*, many companies stated that U.S. clients had requested changes in the physical conditions of the factories during their visits to the companies. These changes often included requirements for eating facilities, bathrooms, and more lighting or ventilation. In most cases, changes with regard to working conditions, were related to safety and health issues. Most of the companies that had contracts with Levi Strauss in the Santiago Zona Franca said that Levi Strauss requested all companies to reinforce, move, or rebuild wooden mezzanines — where sewing machines were stationed — as a fire safety precaution.

    - Undergarment Fashions mentioned that JCPenney, in addition to performing periodic visits to the plant, also had a rating system to evaluate the contractor's performance. Under this rating system, a company must receive at least 50 points in order to maintain its current contract. If the company does not obtain a satisfactory rating, it is put on probation and given a reasonable period of time to make the requested changes.

    - High Quality Products, located in Zona Franca Los Alcarrizos, a contractor for the Jones Apparel Group, said that Jones Apparel terminated a contract with Bonahan Apparel (Zona Franca Bonao) because of Bonahan's refusal to recognize the establishment of a union in its plant.

- In *Honduras*, Rothschilds made a number of recommendations regarding clean toilets, lighting, ventilation, drinking water, and hours of work for 14- and 15-year-old workers at Global Fashions.

2. Positive Reinforcement

Respondents to the voluntary survey of U.S. retailers and garment manufacturers made extensive reference to the streamlining of the supplier base that is taking place in the industry. In part because of the priority to improve quality, but also because of a concern about violations of labor standards — and child labor provisions more specifically — U.S. garment importers have cut back sharply on subcontracting and also reduced the number of their foreign suppliers. From the point of view of foreign garment producers, the streamlining of suppliers carried out by the U.S. garment industry has resulted in clear winners and losers.

- On the one hand, suppliers to the U.S. market that can meet quality and timeliness of product considerations and comply with codes of conduct have been rewarded with continuation of orders and with additional orders diverted to them from producers that rely on subcontracting schemes.

- On the other hand, marginal suppliers — in terms of quality and timeliness of output, physical plant, or ability to comply with labor standards — have been shunned, losing their contracts with U.S. importers and having to resort to sales to other less-profitable markets, including their own domestic market.

Continued access to the U.S. market is a very large incentive for overseas garment producers to meet quality timeliness requirements and comply with codes of conduct. Thus, the prospect of the continued ability to ship to the U.S. market reinforces compliance with appropriate standards. Foreign countries also have a great deal at stake, as unused quota allocations translate into the loss of export revenue to the nations in the short term and loss of quota in the longer term.

IV. Conclusion

Corporate codes of conduct are a new and promising approach that can contribute to the elimination of child labor in the global garment industry. They involve the private sector — rather than governments and international organizations — in developing solutions to this complex problem.

It is important to keep in mind, however, that codes of conduct are not a panacea. Child labor remains a serious problem — with hundreds of millions of children working around the world. However, their presence in export industries may be reduced by the implementation of codes of conduct. It is also possible that changes induced by codes of conduct could have positive spillover effects for children more generally — e.g., a greater commitment of a foreign country to compulsory education for children. However, this relationship requires further study.

Finally, because codes of conduct seem to be tools used by large apparel importers, there may remain smaller importers without codes of conduct still willing to overlook the working conditions in the plants of countries from which they purchase their garments. This question also deserves further study.

A. Child Labor in the Apparel Industry

There is a growing public awareness of the exploitation of child labor. Much attention has focused on children working in the export sector of developing countries. This awareness has contributed to the development and increased use of codes of conduct by apparel importers in the United States.

The consensus of government officials, industry representatives, unions and NGOs interviewed by the Department of Labor in the Dominican Republic, El Salvador, Guatemala and Honduras is that child labor is currently not prevalent in their garment export industries. In the very few cases where child labor was mentioned, the children were 14 or older. However, the use of workers 15-17 is common, and there may be extensive violations of local laws limiting the hours for workers under 18.

There was some anecdotal information about the prior use of child labor in the garment industry in Central America. For example, in Honduras, labor union representatives said that about two years ago, the garment export industry began to dismiss young workers to avoid adverse publicity in importing countries. Often plant managers no longer hire young workers (14-17 years of age) even if they meet domestic labor law or company code of conduct requirements. However, there are also some reports of fraudulent proof-of-age documents being used by child workers to seek jobs in the garment industry. There continue to be allegations in Guatemala of children working for small subcontractors or in homework in the San Pedro de Sacatepequez area.

Meanwhile, it is clear that children continue to work for subcontractors and in homework in the Philippines and India. They perform sewing, trimming, embroidering and pleating tasks. It is also the case that children are not prevalent in the larger factories in the Philippines, and that plant managers in India recently have become more concerned about not using child labor.

B. Codes of Conduct in the U.S. Apparel Industry

There is a growing awareness among many of the largest U.S. apparel importers about the conditions under which apparel sold in the U.S. market is produced. This is a major change from just a few years ago, when importers were more inclined to avoid any responsibility on this matter. Codes of conduct are increasingly common in the U.S. apparel industry. This is a positive sign.

Thirty-six of the 42 U.S. retailers and apparel manufacturers that provided reportable responses to the survey conducted for this study indicated that they have adopted a policy specifically prohibiting the use of child labor in the manufacture of goods they import from abroad. These policies take different forms — codes of conduct, statements of company policy in the form of letters to suppliers, provisions in purchase orders or letters of credit, compliance certificates.

There are marked differences in the codes of conduct prohibiting the use of child labor among the U.S. companies responding to the survey. A primary difference with regard to such codes is their definition of child labor.

- The standards used to define child labor vary significantly from company to company. For example, a company's policy statement may:
    - state a minimum age for all workers who make their products;
    - refer to the national laws of the host country regarding the minimum age of employment or compulsory schooling;
    - refer to international standards (e.g., ILO Convention 138); or
    - use some combination of the three.

In some cases, companies' policies prohibiting child labor in the production of their goods do not contain any definition of child labor.

- A small number of codes specifically describe how a policy prohibiting child labor is to be implemented and enforced.

A proliferation of codes, with differences in some key areas (e.g., the definition of child labor), leads to some uncertainty. This is particularly a problem where foreign contractors produce garments for more than one U.S. importer. During field visits conducted as part of this study, Department of Labor officials were informed by foreign suppliers that the variety of codes can cause confusion. Some multi-customer suppliers said that to address this problem they are coming up with their own codes of conduct.

It also emerged from the field visits that there is confusion among suppliers about whether national labor law or a company's policy (as set out in a code of conduct) should be applied. This is highlighted in cases where the company standard is more rigorous than national law. The problem is compounded by the fact that in some instances, owners and plant managers are not familiar with the national law on child labor, despite the fact that their customers' codes stipulate they must follow national law.

C. Transparency of Codes of Conduct in the Apparel Industry

Most survey respondents who have child labor policies indicated that they have distributed copies of their policies to all suppliers, including contractors and subcontractors. A few said they also communicate the policy to a wider audience. On the other hand, many respondents said they were not certain whether workers know about their codes of conduct.

Field visits conducted in six countries revealed that:

- Managers at two-thirds of the export-oriented plants visited indicated they were aware of codes of conduct prohibiting child labor, particularly codes issued by U.S. customers.

- Formal training about codes of conduct was not common. Approximately 30 percent of the facilities visited where managers knew about codes reported that they received formal training from the U.S. corporation issuing the code. However, more than half of these facilities produced for just two corporations.

- Meetings with workers and their representatives suggested that relatively few workers making garments for U.S. companies are aware of the existence of codes of conduct and even fewer understand their implications.

    - This confirms information received from U.S. companies through responses to the survey and follow-up telephone interviews that they were not aware how — or if — their policy is communicated to workers making their products.

- The lack of awareness among workers about codes of conduct may be in part attributable to the relatively low level of effort by producers to inform their workers about the codes. Only 22 of the plants visited informed their workers about codes of conduct; 13 of the companies indicated that they informed their workers about codes of conduct orally, while only nine stated that they did so both orally and in writing.

    - In many cases where plant managers told Department of Labor officials that they had informed workers orally about company policies, workers denied having ever been so informed.

- Posting of the codes of conduct at the workplace for the benefit of the workers —preferably in their own language — was not the rule in the garment industries of most of the countries visited. In all, 21 of the 70 plants visited by the Department of Labor officials had posted a code of conduct of a U.S. customer; 7 of such plants (out of 8 visited in that country) were in El Salvador. The number of plants visited in each of the other countries where codes of conduct were posted was: Dominican Republic, 2; Honduras, 1; Guatemala, 2; India, 2; and the Philippines, 7.

    - Some managers stated that they do not post codes because all they do is repeat domestic law. However, not all codes define child labor by existing domestic law.

    - Others have also used as an excuse the illiteracy of workers, even though managers contradict this by stating that they are seeking to employ better-educated workers. Many workers had no trouble reading codes of conduct shown to them by Department of Labor officials.

- While it is most critical that overseas contractors, subcontractors and their workers be familiar with corporate codes of conduct, knowledge about their existence and implications by others — host governments, NGOs, business organizations — also can be helpful in enhancing their effectiveness. The record was mixed with respect to the extent to which these entities were familiar with codes of conduct and their implications.

D. Monitoring and Enforcement of Codes of Conduct in the Apparel Industry

Creating a corporate code of conduct is an easy task. There are many models — developed by individual companies or trade associations — to draw upon. Monitoring and enforcement are much more complicated. Yet all parties recognize that monitoring and enforcement are key to the success of a code of conduct. Without credible monitoring and enforcement, corporate codes of conduct are little more than expressions of good intentions.

By far the most frequent monitoring of foreign contractors that occurs in the industry is for quality of product and scheduling coordination. All of the foreign plants visited stated that they are visited by the representative of a U.S. company, a buying agent, or someone else for these purposes. Most (about 90 percent in the case of the plants visited by Department of Labor officials) also monitor for safety and health conditions. In far fewer instances is there any clear evidence of monitoring of child labor policies contained in codes of conduct.

Apparel importers responding to the survey revealed that they use several means to monitor their codes of conduct.

- Some companies use a form of active monitoring — by conducting site visits and inspections by company staff, buyer agents or other parties — to verify that suppliers are actually implementing the provisions on child labor and other labor standards.

- Companies may also use contractual monitoring, whereby they rely on the written guarantees made by suppliers, typically through contractual agreements or certification, that they are respecting the U.S. company's policy and not using any child labor. This latter form of monitoring may be seen as "self-certification," and is often the only type of monitoring used by U.S. retailers who responded to the survey.

- Some companies use a combination of the two forms of monitoring, typically relying on contractual monitoring backed up with visits and inspections.

Generally, the closer the relationship between a U.S. company importing garments and the one actually producing the items, the greater the ability of the U.S. company to influence labor conditions, including prohibitions on child labor. Conversely, the longer the chain of production, and the more levels of contractors, subcontractors and buying agents used, the more complex and challenging is the implementation.

Plant visits (inspections) are one of the main monitoring mechanisms of codes of conduct by U.S. garment importers. Visits are most likely announced in advance, but sometimes are unannounced. However, when checking for codes of conduct, monitors often do not speak with workers — either inside or outside the worksite.

Among subcontractors, the evidence suggests that monitoring of codes of conduct is spotty. This confirms statements from industry representatives that U.S. importers exert less control over the labor practices of subcontractors.

Many questions remain about the practice of contractual monitoring. In some instances, contractual monitoring seems to be tantamount to self-certification. If there is no active, on-site monitoring to verify conditions, it is not clear that there is an incentive to change behavior.

- Some U.S. companies — generally retailers — require a contractor to sign a document ensuring that the clothing is not produced with child labor. The U.S. company then points to a signed contract agreement with their overseas contractor or buyer agent to show that no children have been used in garment production. Implementation ends there — it is now the responsibility of the contractor to adhere to the signed promise. In many instances, the U.S. importer does not verify compliance beyond checking that the signed contract agreement is on file.

Many U.S. corporations have made it clear to suppliers that willful violations of codes of conduct — including child labor provisions — can lead to monetary penalties, cancellation of contracts, or severing of a relationship. The main motivation for compliance by foreign suppliers is the fear of losing access to the U.S. market, a form of enlightened self-interest. A potential loss of revenue from the lucrative U.S. market arguably far outweighs any potential gain to be made by hiring lower-cost child labor.

E. Recommendations

Based upon the information collected from the voluntary survey of 48 U.S. apparel importers and site visits to six countries producing garments for the U.S. market, the Department of Labor found that codes of conduct can be a positive factor in solving the global child labor problem. Consistent with the important efforts already undertaken by many U.S. apparel importers, the Department of Labor recommends that U.S. companies consider whether some additional voluntary steps might be appropriate:

1. All actors in the apparel industry, including manufacturers, retailers, buying agents and merchandisers, should consider the adoption of a code of conduct.

If all elements of the apparel industry have a similar commitment to eliminating child labor, this would have a reinforcing impact on the efforts that the leaders in the industry have made. Trade associations should consider whether they could increase their technical assistance to help assure that the smaller companies in the industry can achieve this objective.

2. All parties should consider whether there would be any additional benefits to adopting more standardized codes of conduct.

There is a proliferation of codes of conduct. Some foreign companies and producer associations are even drafting their own codes. The definition of child labor differs from code to code, thereby creating some uncertainty for business partners and workers as to what standard is applicable.

3. U.S. apparel importers should implement further measures to monitor subcontractors and homeworkers.

Since most of the violations of labor standards, including child labor, occur in small subcontracting facilities or homework, U.S. apparel importers should consider further measures to monitor subcontractors more closely.

4. U.S. garment importers — particularly retailers — should consider taking a more active role in the monitoring/implementation of their codes of conduct.

The implementation of codes of conduct is a complex matter, and a relatively recent endeavor. Implementation seems best — and most credible — when U.S. companies get directly involved in the monitoring. There is little incentive for foreign companies to comply with a U.S. importer's code of conduct if there is no verification of actual behavior.

5. All parties, particularly workers, should be adequately informed about codes of conduct so that the codes can fully serve their purpose.

In the supplying countries, managers of enterprises are generally familiar with the codes of their clients. Workers, however, are seldom aware of codes of conduct of the U.S. corporations for which they make garments. NGOs and foreign governments are also not fully informed about codes of conduct.

V. Appendices

Appendix A: List of Companies Surveyed
Appendix B: Company Questionnaire
Appendix C: Codes of Conduct Provided by Companies Surveyed
Appendix D: Site Visits
Appendix E: U.S. Apparel Imports, by Region and Country (1985-1995)
Appendix F: ILO Convention 138

Appendix A: List of Companies Surveyed

Top U.S. Retailers and Manufacturers of Apparel (Source: Kurt Salmon Associates, *Financial Profile for Fiscal Year 1995*, July 1996)

Apparel Manufacturers

1. Fruit of the Loom
2. Hartmarx Corporation
3. Jones Apparel Group
4. Kellwood Company
5. Levi Strauss & Company
6. Liz Claiborne
7. Nike
8. Oxford Industries
9. Phillips-Van Heusen
10. Russell Corporation
11. Salant Corporation
12. Sara Lee Corporation
13. Tultex Corporation
14. VF Corporation
15. Warnaco Group

Department Stores

1. Dillard Department Stores
2. Federated Department Stores
3. J.C. Penney Company
4. Kohl's Corporation
5. May Department Stores
6. Mercantile Stores Company
7. Montgomery Ward Holding Co.
8. Neiman Marcus Group
9. Nordstrom
10. Sears Roebuck & Company

Mass Merchandisers

1. Ames Department Stores
2. Dayton Hudson Corporation
3. Dollar General Corporation
4. Family Dollar Stores
5. Kmart Corporation
6. Price Costco
7. ShopKo Stores
8. Venture Stores
9. Waban Inc.
10. Wal-Mart Stores

Specialty Stores

1. Burlington Coat Factory
2. County Seat Stores, Inc.
3. The Dress Barn, Inc.
4. The Gap
5. The Limited
6. The Marmaxx Group
7. Ross Stores, Inc.
8. Stage Stores, Inc.
9. The Talbots, Inc.
10. Woolworth Corporation

Non-Store/Direct Apparel Marketers

1. Home Shopping Network, Inc.
2. Land's End, Inc.
3. Spiegel, Inc.

Appendix B: Company Questionnaire

Company Name:________________________________

Address:____

Contact Person:________________________________

Telephone:________________

1. Approximately how much apparel do you import annually (in dollar value)?

2. From what countries do you import apparel?

3. Can you provide us with the names and locations of:

   (i) foreign facilities that you own or have an ownership interest in from which you import apparel;

   (ii) foreign contractors and subcontractors from which you import apparel.

4. Does your company have a code of conduct or policy regarding labor practices in overseas production? Does it contain a provision on child labor? If so, please provide us with a copy.

5. If you use a third party purchaser to import apparel for you, do you require them to comply with or enforce your code of conduct or policy on child labor? Do you know if your third party purchaser has its own code of conduct or policy on child labor?

6. How does your company implement your code of conduct or policy on child labor? Do you monitor overseas production facilities for compliance with your code of conduct or policy on child labor? Who does the monitoring for your company, how is monitoring carried out, and how often is it done? What problems have you encountered in implementing your code of conduct or policy on child labor?

7. Has your company ever found child labor in any overseas production facilities from which you import? If so, please provide specific instances and the actions that you took.

Please send us your most recent annual report.

Appendix C: Codes of Conduct Provided by Companies Surveyed

Dayton Hudson Corporation
Dillard Department Stores
The Dress Barn, Inc.
Family Dollar Stores
Federated Department Stores
Fruit of the Loom
The Gap
Hartmarx Corporation
JC Penney Company
Jones Apparel Group
Kellwood Company
Kmart Corporation
Land's End, Inc.
Levi Strauss & Company
The Limited
Liz Claiborne
Mercantile Stores Company
Montgomery Ward Holding Company
Nike
Nordstrom
Oxford Industries
Phillips-Van Heusen
Price Costco
Ross Stores, Inc.
Russell Corporation
Salant Corporation
Sara Lee Corporation
Sears Roebuck & Company
Spiegel, Inc.
Stage Stores, Inc.
The Talbots, Inc.
Tultex Corporation
Venture Stores
VF Corporation
Wal-Mart Stores
Warnaco Group
Woolworth Corporation

Dayton Hudson Corporation Standards of Vendor Engagement

Dayton Hudson Corporation has a tradition of conducting its business in an ethical manner that reflects our respect for the public franchise under which we operate. As such we are concerned with the worldwide state of being of human rights and environmental degradation. We expect that the vendors with whom we source our products to share these same ethical concerns as well. Dayton Hudson Corporation will use the following Standards of Vendor Engagement in selecting vendors and will seek compliance with these standards by our contractors, subcontractors, suppliers and other businesses.

Dayton Hudson Corporation will seek vendors that will allow us full knowledge of the facilities used in production. We reserve the right to undertake affirmative measures, such as on-site inspection of production facilities in order to implement and monitor these standards. Any effort to suppress any of these standards will be met with strong objection on our part and we will take into account any such actions on the part of our vendors when reviewing and evaluating our business relationships.

Safe and Healthy Workplace

Dayton Hudson will seek vendors who provide their employees with a safe and healthy workplace in compliance with local laws.

Forced or Compulsory Labor

Dayton Hudson will not knowingly work with vendors that use forced or other compulsory labor in the manufacture of products intended for our stores. This includes labor that is required as a means of political coercion or as punishment for holding or for peacefully expressing political views.

Disciplinary Practices

Dayton Hudson will not knowingly use vendors who use corporal punishment or other forms of mental or physical coercion.

Non-discrimination

Dayton Hudson recognizes and respects the cultural differences found in the worldwide marketplace. However, we believe that workers should be employed on the basis of their ability to carry out the duties of a particular job, rather than on the basis of personal characteristics or beliefs. We will seek vendors who share this belief.

Working Hours and Overtime

Dayton Hudson will seek vendors who do not require more than 60 hour work weeks on a regularly scheduled basis, except for appropriately compensated overtime in compliance with local laws.

Fair Wages

Dayton Hudson will seek vendors who share our commitment to the betterment of wage and benefit levels that address the basic needs of workers and their families so far as possible and appropriate in light of national practices and conditions.

Child Labor

Dayton Hudson will seek vendors who do not use child labor. Dayton Hudson will expect its vendors to comply with the law of the country of origin in defining the term "child", but we will not knowingly use vendors that use labor from persons under the age of 14 regardless of the law of the country of origin. Dayton Hudson will support the development of legitimate workplace apprenticeship programs for the educational benefit of younger people as long as the child is not being exploited or given jobs that are dangerous to the child's health or safety.

Dillard Department Stores Business Policy

TO: ALL DILLARD VENDORS & SUPPLIERS
DATE: JANUARY 12,1996
RE: DILLARD BUSINESS POLICY

As we begin a new year, we at Dillard's believe it is appropriate to restate and reiterate the principles upon which our relationship with vendors and suppliers will be based.

For many years, Dillard's business relationship with its vendors and suppliers has been governed by terms and conditions contained on our purchase order form as supplemented by communications with our merchants. These terms and conditions have also been applicable to electronic transactions. The terms and conditions have historically contained various commercial requirements as well as directives requiring compliance with various laws. These various business conditions have been re-evaluated and have resulted in the preparation of a document entitled *Dillard Department Stores, Inc. Purchase Order Terms, Conditions and Instructions*, a copy of which is attached hereto. These terms apply to all orders placed with you; and acceptance of Dillard purchase orders, whether in writing or by electronic means, expressly constitutes your acceptance, as a vendor or supplier, of the terms, conditions, and instructions contained in the attached document as it may be supplemented from time to time. Without strict compliance with the elements of the attached *Dillard Department Stores, Inc. Purchase Order Terms, Conditions and Instructions*, we will be unable to establish or continue a business relationship.

Dillard's particularly calls to your attention the portion of the attached which deals with the manner in which our merchandise is manufactured and shipped. Recent negative industry publicity has motivated us to restate and emphasize our longstanding philosophy and policy that all Dillard merchandise must be manufactured and shipped in compliance with all laws. We particularly wish to emphasize to all of our domestic and foreign vendors and suppliers that no Dillard merchandise will be manufactured or shipped by use of illegal forced labor, illegal convict labor, or illegal child labor. Further, all domestic or foreign suppliers of Dillard merchandise must conduct their business in compliance with all other laws and regulations relative to employment, manufacturing, shipping, customs and environment practices.

Compatible with the above, we are also re-negotiating our agreements with our foreign buying agents. These new buying agency agreements will include prohibitions against illegal child labor and other forms of illegal employment, manufacturing, shipping, customs and environmental practices identical to those contained in the enclosed. Our buying agents will be required to periodically spot check compliance with these standards. In addition, corporate representatives of Dillard's will be making periodic inspections of manufacturing facilities to insure compliance.

We believe that these high standards are compatible with our philosophy of bringing quality products to our customers.

The Dress Barn Policy and Standards of Engagement

Human Rights Policy Statement

The Dress Barn, Inc. and its subsidiaries are committed to producing high quality products at a good value to our consumer. The Company not only follows the letter and spirit of all applicable laws, but maintains a high standard of business ethics and regard for human rights. Moreover, we require sound business ethics from our suppliers.

The Dress Barn, Inc. and its Subsidiaries
Standards of Engagement

1. Legal Requirements. Suppliers must observe all applicable laws of their country, including laws relating to employment, discrimination, the environment, safety and the apparel and related fields. Moreover, suppliers must comply with applicable United States laws relating to the import of products, including country of origin labeling, product labeling and fabric and product testing. If local or industry practices exceed local legal requirements, this higher standard should be met.

2. Health and Safety. Conditions must be safe, clean and acceptable throughout all work and residential facilities.

3. Employment Practices. We will only support businesses who are fair to their employees:

    - Suppliers must pay wages and benefits and provide compensation for overtime consistent with local laws.
    - Suppliers must adopt working hours that do not exceed prevailing local law. One day in seven should be regularly encouraged as a day off.
    - Suppliers must not use child labor as defined by local law (however, workers must be at least 15 years of age), forced labor or prison labor.
    - Suppliers must not use corporal punishment or other mental or physical disciplinary actions or engage in sexual harassment.
    - We favor suppliers who do not discriminate based upon race, religion, national origin, political affiliation or sex, and who encourage free association and freedom of expression.

4. Environmental Practices. We favor suppliers who practice environmental protection.

5. Ethical Conduct. We will encourage our suppliers to embrace ethical standards in the conduct of their businesses. We will not support or participate in any way in any local, regional or national war or armed conflict in any country in which we do business and will seek to minimize our business risk where conflict exists, emphasizing the safety of our employees and representatives.

If you believe that these Standards of Engagement are not being upheld or if you have any questions regarding these Standards of Engagement, please contact the General Merchandise Manager of Dress Barn. Your identity will be kept in confidence.

Family Dollar Stores
(Subscribes to policy of the National Retail Federation, NRF)

NRF
STATEMENT OF PRINCIPLES ON SUPPLIER LEGAL COMPLIANCE

1. We are committed to legal compliance and ethical business practices in all our operations.

2. We choose suppliers who we believe share that commitment.

3. In our purchase contracts, we require our suppliers to comply with all applicable laws and regulations.

4. If it is found that a factory used by a supplier for the production of our merchandise has committed legal violations, we will take appropriate action, which may include cancelling the affected purchase contract(s), terminating our relationship with the supplier, commencing legal actions against the supplier, or other actions as warranted.

5. We support effective law enforcement and cooperate with law enforcement authorities in the proper execution of their responsibilities.

6. We support educational efforts designed to enhance legal compliance on the part of the U.S. apparel manufacturing industry.

Federated Department Stores Statement of Corporate Policy

Federated Department Stores, Inc. and its subsidiaries are firm in their resolve to do business only with those manufacturers and suppliers that share the company's commitment to fair labor practices, including adherence to laws that protect workers and their salaries, both in the United States and abroad.

As a condition of doing business with Federated, it is required that manufacturers comply with all laws applicable to the country in which the merchandise is manufactured, including but not limited to laws against child or forced labor and unsafe working conditions. This condition is reiterated on every purchase order issued by the company; the purchase order contractually commits product manufacturers to adhere to applicable laws in the fulfillment of the order, providing Federated with an avenue of legal recourse should the contract be violated.

To further the objective of ensuring the protection of workers, Federated requires its core vendors annually to acknowledge in writing their understanding of the company's policies requiring full compliance with all applicable laws in the manufacture of products to be carried to Federated stores. Relationships with manufacturers and suppliers who do not sign this agreement are immediately terminated by Federated. In the manufacture of private label products being made exclusively for Federated, the company routinely inspects factories for contractual compliance, as well as compliance with laws and regulations dealing with child or forced labor and unsafe working conditions.

Upon learning of a potential or actual violation of law by either a supplier of merchandise to Federated or a subcontractor hired by such a supplier, Federated will take the following actions:

1. When notified by the U.S. Department of Labor or any state or foreign government, or after determining upon its own inspection that a supplier or its subcontractor has committed a serious violation of law relating to child or forced labor or unsafe working conditions, Federated will immediately suspend all shipments of merchandise from that factory and will discontinue further business with the supplier. Federated will demand the supplier institute monitoring programs necessary to ensure compliance with applicable laws prior to the resumption of any business dealings with that supplier. This action will be in addition to any contractual or legal remedies available to Federated pursuant to the purchase contract.

2. Upon notification of a violation of law by a supplier or its subcontractor, other than as set forth above, Federated shall immediately suspend further shipments from that factory, pending receipt of a detailed explanation from the supplier that describes the circumstances surrounding the violation, the supplier's position with respect to the violation, and a commitment by the supplier to take remedial action to Federated's satisfaction. This action will be in addition to any contractual or legal remedies available to Federated pursuant to the purchase contract.

3. Federated reserves the right to investigate any potential violation of law and, at its discretion, to suspend, discontinue or terminate its relationship with any supplier for its failure to comply with any laws applicable to merchandise produced in the United States or any other country.

Through the establishment of these policies, Federated believes it is most effectively exercising its economic leverage with manufacturers to encourage their full compliance with laws designed to protect their workers; manufacturers who violate these laws know the consequences of their actions. In addition to its commitment to fully enforce its policies with manufacturers, Federated is committed to cooperating with state and federal agencies who ultimately are responsible for enforcing these laws.

FPD Business Principles & Vendor Compliance

Overview

The following summarizes Federated Product Development's business principles as they relate to our international sourcing strategy and vendor compliance program.

Statement of Principles

1. We are committed to legal compliance and ethical business practices in all of our operations.

2. We choose suppliers which we believe share the commitment.

3. In our purchase contracts, we require our suppliers to comply with all applicable laws and regulations.

4. If it is found that a factory used by a supplier for the production of our merchandise has committed legal violations, we will take appropriate action, which may include taking rehabilitating steps to bring factory back into compliance, cancelling the affected contract(s), terminating our relationship with the supplier, commencing legal actions against the supplier or other actions as warranted.

5. We support law enforcement and cooperate with law enforcement authorities in the proper execution of their responsibilities.

6. We support educational efforts designed to enhance legal compliance on the part of the U.S. apparel manufacturing industry.

Foreign Laws

We are committed to the above principles wherever we have our private brands & labels manufactured worldwide. While foreign labor laws may differ from country to country, we first and foremost follow the local law of the country in regard to supporting the minimum age and minimum wage requirements. We follow our policy in regard to strictly forbidding the use of forced labor and/or ozone depleting substances in the manufacturing of our product. When in our vendor's facilities, we will check for common-sense employee safety issues such as fire hazards, clearly marked and unblocked exits, cleanliness, and poor lighting.

Vendor Approval Process

The most important part of our compliance program is the identification of those vendors that share in our commitment before any business is transacted. Therefore, it is our policy that all suppliers and their manufacturing facilities must go through a formal evaluation and approval process prior to the placement of any orders. Furthermore, these vendors must agree to authorize, in advance, unrestricted access to their facilities - including the ability to conduct unannounced inspections.

New vendors can only be approved by *senior executive for that Region booking the* order. If the merchandise is to be inspected by another region, then senior executive for that inspecting Region must also approve the manufacturing facility.

The standard procedures is as follows. Specific examples of the FPD forms and documentation are included in the Appendices attached.

1. New Vendor/New Facility Approval Request submitted
2. Terms of Engagement Letter notification
3. New Vendor/New Facility Questionnaire completed
4. Factory evaluation conducted and report submitted.
5. Credit & litigation background check performed by an independent, accredited organization
6. Vendor approved (ID number issued) & entered in the MPS system and purchase order creation enabled
7. Rejected vendor/facility summary data maintained on file as part of a Red Flagged list
8. Purchase order issued with contract terms including compliance requirements on reverse side

Supplier Monitoring

Assuring vendor compliance includes the following key components and formal documentation of these activities:

1. Regular in-line and final inspection of all orders with a reporting section specifically covering observation of legal and policy compliance

2. All purchase orders issued with clearly stated compliance requirements

3. Unannounced factory visits for the express purpose of identifying legal, safety and policy non-compliance

4. Regular re-certification of all facilities by authorized Quality Control staff

5. Annual notification to all active suppliers of our Terms of Engagement

Violations

FPD personnel look for violations of our policies which would include compliance with Federal, state and local law. Safety, wage and under-age worker violations are essential elements of our monitoring process. All documented violations must be reported to the Corporate Legal Counsel and the President/COO of FM/FPD for action.

Authority

Clearly defined levels of authorization have been established and audited for compliance.

1. Inter-regionally: Only Executive Vice President-Asia, Senior Vice President-Europe and Vice President Production can approve new vendors and factories.

2. All factory evaluations must be counter-signed by a General Manager or Divisional Vice President

3. All facility approvals must be authorized at the Senior Executive level for that region

4. New Vendor Approval Requests must be counter-signed by Merchandise, Production and Control Vice Presidents

Education & Training

Internal training by FPD Corporate Counsel, Corporate Quality Control & Overseas Offices managerial staff.

State and local government educational seminars and training materials available.

National Retail Federation sponsored seminars & conferences.

Independent Labor & Wage Experts (as available).

North/South America Region requires letter to be signed by an Officer of the Company and returned

Only managerial level or pre-designated Quality Assurance staff are authorized to evaluate factories

U.S. vendors are in an on-line database

Worldwide roll-out and training completed by October, 1996

Example: New York State Apparel Industry Task Force

Fruit of the Loom Contractor Code of Conduct

BY SIGNING BELOW THE UNDERSIGNED CONTRACTOR (OR CONTRACTOR'S SUPPLIER OR SUBCONTRACTOR REFERRED TO HEREIN AS CONTRACTOR) ACKNOWLEDGES THAT FRUIT OF THE LOOM ("FRUIT") DOES NOT CONDONE OR PERMIT THE VIOLATION OF ANY APPLICABLE DOMESTIC, FOREIGN OR INTERNATIONAL LAWS, RULES OR REGULATIONS, INCLUDING, WITHOUT LIMITATION, ANY SUCH GOVERNING EMPLOYMENT AND LABOR, THE ENVIRONMENT, THE PROVISION OF SERVICES AND THE SALE OF GOODS. CONTRACTOR FURTHER ACKNOWLEDGES THAT FRUIT DOES NOT CONDONE OR PERMIT THE USE OF CHILD, FORCED, INDENTURED, INVOLUNTARY, PRISON OR UNCOMPENSATED LABOR UNDER ANY CIRCUMSTANCES, OR ANY ACTIVITIES WHICH ARE IN VIOLATION OF U.S. CUSTOMS LAWS, INTERNATIONAL AGREEMENTS OR FOREIGN LAWS, INCLUDING, BUT NOT LIMITED TO FALSE DECLARATIONS OF COUNTRY OF ORIGIN OR OTHER FALSE DOCUMENTATION, COUNTERFEIT VISAS OR ILLEGAL TRANSSHIPMENTS TO EVADE THE TEXTILE QUOTA RESTRAINT AGREEMENTS NEGOTIATED BETWEEN THE COUNTRY OF EXPORT AND THE UNITED STATES. CONTRACTOR ACKNOWLEDGES THAT FRUIT MAINTAINS A POLICY AGAINST ENGAGING IN ANY ILLEGAL ACTIVITIES AND WILL NOT BUY OR SELL PRODUCTS OR SERVICES PROVIDED THROUGH THE USE OF ANY UNLAWFUL OR UNETHICAL PRACTICES.

In furtherance of the foregoing, Contractor represents and warrants that Contractor is: (1) not engaged in, and will not engage in, any unfair labor, wage or benefits practice or practices violative of the laws or regulations of the country of manufacture or assembly of products or involving unsanitary, unhealthy and/or unsafe labor conditions, the employment of child, forced, indentured, involuntary, prison or uncompensated labor, the use of corporal punishment, discrimination based on race, gender, national origin or religious beliefs, or similar employment activities or conditions; (2) in compliance with, and will continue to comply with, all applicable laws, rules and regulations, including but not limited to, those pertaining to environmental matters, in the conduct of its business and the manufacture or assembly of products for Fruit; (3) in compliance with, and will continue to comply with, all applicable laws, rules or regulations governing the provision of services or the international sale of goods and, where applicable, it owns or may legally purchase rights to export textiles and textile products under the mandatory quota agreements in effect between the country of export and the United States; and (4) not engaged, and will not engage, in any activity which is in violation of U.S. Customs laws or regulations, international agreements or foreign laws governing the international sale of goods, including, but not limited to, false documentation, counterfeit visas or illegal transhipment to evade textile quota restraints negotiated between the country of export and the U.S. For purposes of this Code of Conduct, **"child labor"** means the use of children who are less than the age of compulsory schooling in the country of manufacture and, in any case, shall not be less than 15 years. Note that Fruit condones and supports legitimate, legally sanctioned, government sponsored workplace apprenticeship and educational programs for persons under such age.

Contractor acknowledges that it is Fruit's policy to stop and/or prevent known illegal activities. If Fruit determines that Contractor or any supplier, subcontractor or agent of Contractor has violated any applicable law, rule, or regulation or has engaged in any of the above practices, Fruit may: (a) provide all available information, including the name of such Contractor, supplier, subcontractor or agent, to applicable government agencies and law enforcement officials for appropriate action; and (b) exercise its contractual termination rights under the applicable agreement(s) or purchase order(s).

To assist Fruit in assuring compliance with this Code of Conduct, Contractor agrees to: (i) require all of its officers and employees who will be responsible for or involved with the implementation of procedures designed to ensure compliance with this Code of Conduct to review and familiarize themselves with this Code of Conduct; (ii) require all of Contractor's suppliers, subcontractors and agents to execute and deliver to Fruit a Code of Conduct on or before execution of an applicable agreement or purchase order with Fruit; (iii) provide Fruit with access to its and any Fruit authorized Contractor supplier, subcontractor or agent production facilities to conduct inspections; (iv) provide, upon request, Fruit with proof of production, including without limitation, shipping documents, cutting and sewing reports and similar documentation; and (v) provide, upon request, Fruit with proof of compliance by Contractor and its suppliers, subcontractors or agents with applicable labor laws and including, without limitation, proof that all employees meet minimum legal working age and pay requirements and the right to interview such employees regarding the same. Fruit intends to make every available effort to assure the veracity of all documents it receives and reviews and the authenticity of Contractor's sources of supply.

Contractor acknowledges and agrees that Fruit may require Contractor to reaffirm this Code of Conduct or execute a new Code of Conduct from time to time and that this Code of Conduct replaces and supplants any prior Code of Conduct governing Contractor's relationship with Fruit. As a duly authorized officer or director of Contractor, the undersigned acknowledges that he/she has read this Code of Conduct and understands that Contractor's business relationship with Fruit is based on Contractor's full compliance with this Code of Conduct. The undersigned understands that Contractor's failure to abide by the terms of this Code of Conduct may result in Fruit's immediate cancellation or termination of any and all outstanding agreements and purchase orders between Fruit and Contractor, including, without limitation: (aa) Fruit's cancellation of orders for goods made while Contractor was not in compliance with this Code of Conduct or goods in process or scheduled to be made at the time of cancellation or termination, whether involving raw materials, work in process or finished goods, or in Contractor's, Fruit's or a third party's possession; and (bb) Contractor's prompt refund to Fruit of any monies paid in connection therewith.

Contractor hereby certifies that it proposes to (___) will not (___) use any suppliers of component parts, other than Fruit or its affiliates, or subcontractors or agents in connection with the manufacture and/or assembly of products for Fruit. If Contractor proposes to utilize any suppliers of component parts, subcontractors or agents in connection with the manufacturer or assembly of products for Fruit, Contractor agrees to attach to this Code of Conduct: (a) a statement (on the form supplied by Fruit) disclosing the company name, plant address, telephone and fax numbers and contact names of any such suppliers, subcontractors or agents, all of whom shall be subject to review and prior written approval or disapproval by Fruit, and (b) a signed Fruit of the Loom Contractor Code of Conduct signed by each such person or entity. Contractor acknowledges and agrees that it is Fruit's standard policy: (i) for assembly programs not to approve any subcontractors or agents where Fruit provides component parts for assembly; and (ii) for turn-key sourcing programs not to approve any subcontractors for suppliers of component parts to contractors or subcontractors or agents to assist contractors in their assembly operations.

Please indicate whether there are any attachments to this Code of Conduct and their number:

No (____)/Yes(____) Number of Attachments (if any):
ACCEPTED AND AGREED TO BY:
CONTRACTOR:
By: ____________________________
Name: ____________________________
Title: ____________________________
Dated:______________ 199__

The Gap Code of Vendor Conduct

This **Code of Vendor Conduct** applies to all factories that produce goods for Gap, Inc. or any of its subsidiaries, divisions, affiliates or agents ("Gap").

While Gap recognizes that there are different legal and cultural environments in which factories operate throughout the world, this Code sets forth the basic requirements all factories must meet in order to do business with Gap. The Code also provides the foundation for Gap's ongoing evaluation of a factory's employment practices and environmental compliance.

I. General Principle

Factories that produce goods for Gap shall operate in full compliance with the laws of their respective countries and with all other applicable laws, rules and regulations.

A. The factory operates in full compliance with all applicable laws, rules and regulations, including those relating to labor, worker health and safety, and the environment.

B. The factory allows Gap and or any of its representatives or agents unrestricted access to its facilities and to all relevant records at all times, whether or not notice is provided in advance.

II. Environment

Factories must comply with all applicable environmental laws and regulations. Where such requirements are less stringent than Gap's own, factories are encouraged to meet the standards outlined in Gap's statement of environmental principles.

A. The factory has an environmental management system or plan.

B. The factory has procedures for notifying local community authorities in case of accidental discharge or release or any other environmental emergency.

III. Discrimination

Factories shall employ workers on the basis of their ability to do the job, not on the basis of their personal characteristics or beliefs.

A. The factory employs workers without regard to race, color, gender, nationality, religion, age, maternity or marital status.

B. The factory pays workers wages and provides benefits without regard to race, color, gender, nationality, religion, age, maternity or marital status.

IV. Forced Labor

Factories shall not use any prison, indentured or forced labor.

A. The factory does not use involuntary labor of any kind, including prison labor, debt bondage or forced labor by governments.

B. If the factory recruits foreign contract workers, the factory pays agency recruitment commissions and does not require any worker to remain in employment for any period of time against his or her will.

V. Child Labor

Factories shall employ only workers who meet the applicable minimum legal age requirement or are at least 14 years of age, whichever is greater. Factories must also comply with all other applicable child labor laws. Factories are encouraged to develop lawful workplace apprenticeship programs for the educational benefit of their workers, provided that all participants meet both Gap's minimum age standard of 14 and the minimum legal age requirement.

A. Every worker employed by the factory is at least 14 years of age and meets the applicable minimum legal age requirement.

B. The factory complies with all applicable child labor laws, including those related to hiring, wages, hours worked, overtime and working conditions.

C. The factory encourages and allows eligible workers, especially younger workers, to attend night classes and participate in work-study programs and other government-sponsored educational programs.

D. The factory maintains official documentation for every worker that verifies the worker's date of birth. In those countries where official documents are not available to confirm exact date of birth, the factory confirms age using an appropriate and reliable assessment method.

VI. Wages & Hours

Factories shall set working hours, wages and overtime pay in compliance with all applicable laws. Workers shall be paid at least the minimum legal wage or a wage that meets local industry standards, whichever is greater. While it is understood that overtime is often required in garment production, factories shall carry out operations in ways that limit overtime to a level that ensures humane and productive working conditions.

A. Workers are paid at least the minimum legal wage or the local industry standard, whichever is greater.

B. The factory pays overtime and any incentive (or piece) rates that meet all legal requirements or the local industry standard, whichever is greater.

Hourly wage rates for overtime must be higher than the rates for the regular work shift.

C. The factory does not require, on a regularly scheduled basis, a work week in excess of 60 hours.

D. Workers may refuse overtime without any threat of penalty, punishment or dismissal.

E. Workers have at least one day off in seven.

F. The factory provides paid annual leave and holidays as required by law or which meet the local industry standard, whichever is greater.

G. For each pay period, the factory provides workers an understandable wage statement which includes days worked, wage or piece rate earned per day, hours of overtime at each specified rate, bonuses, allowances and legal or contractual deductions.

VII. Working Conditions

Factories must treat all workers with respect and dignity and provide them with a safe and healthy environment. Factories shall comply with all applicable laws and regulations regarding working conditions. Factories shall not use corporal punishment or any other form of physical or psychological coercion. Factories must be sufficiently lighted and ventilated, aisles accessible, machinery maintained, and hazardous materials sensibly stored and disposed of. Factories providing housing for workers must keep these facilities clean and safe.

Factory:

A. The factory does not engage in or permit physical acts to punish or coerce workers.

B. The factory does not engage in or permit psychological coercion or any other form of non-physical abuse, including threats of violence, sexual harassment, screaming or other verbal abuse.

C. The factory complies with all applicable laws regarding working conditions, including worker health and safety, sanitation, fire safety, risk protection, and electrical, mechanical and structural safety.

D. Work surface lighting in production areas — such as sewing, knitting, pressing and cutting – is sufficient for the safe performance of production activities.

E. The factory is well ventilated. There are windows, fans, air conditioners or heaters in all work areas for adequate circulation, ventilation and temperature control.

F. There are sufficient, clearly marked exits allowing for the orderly evacuation of workers in case of fire or other emergencies. Emergency exit routes are posted and clearly marked in all sections of the factory.

G. Aisles, exits and stairwells are kept clear at all times of work in process, finished garments, bolts of fabric, boxes and all other objects that could obstruct the orderly evacuation of workers in case of fire or other emergencies. The factory indicates with a "yellow box" or other markings that the areas in front of exits, fire fighting equipment, control panels and potential fire sources are to be kept clear.

H. Doors and other exits are kept accessible and unlocked during all working hours for orderly evacuation in case of fire or other emergencies. All main exit doors open to the outside.

I. Fire extinguishers are appropriate to the types of possible fires in the various areas of the factory, are regularly maintained and charged, display the date of their last inspection, and are mounted on walls and columns throughout the factory so they are visible and accessible to workers in all areas.

J. Fire alarms are on each floor and emergency lights are placed above exits and on stairwells.

K. Evacuation drills are conducted at least annually.

L. Machinery is equipped with operational safety devices and is inspected and serviced on a regular basis.

M. Appropriate personal protective equipment — such as masks, gloves, goggles, ear plugs and rubber boots — is made available at no cost to all workers and instruction in its use is provided.

N. The factory provides potable water for all workers and allows reasonable access to it throughout the working day.

O. The factory places at least one well-stocked first aid kit on every factory floor and trains specific staff in basic first aid. The factory has procedures for dealing with serious injuries that require medical treatment outside the factory.

P. The factory maintains throughout working hours clean and sanitary toilet areas and places no unreasonable restrictions on their use.

Q. The factory stores hazardous and combustible materials in secure and ventilated areas and disposes of them in a safe and legal manner.

Housing (if applicable):

AA. Dormitory facilities meet all applicable laws and regulations related to health and safety, including fire safety, sanitation, risk protection, and electrical, mechanical and structural safety.

BB. Sleeping quarters are segregated by sex.

CC. The living space per worker in the sleeping quarters meets both the minimum legal requirement and the local industry standard.

DD. Workers are provided their own individual mats or beds.

EE. Dormitory facilities are well ventilated. There are windows to the outside or fans and/or air conditioners and/or heaters in all sleeping areas for adequate circulation, ventilation and temperature control.

FF. Workers are provided their own storage space for their clothes and personal possessions.

GG. There are at least two clearly marked exits on each floor, and emergency lighting is installed in halls, stairwells and above each exit.

HH. Halls and exits are kept clear of obstructions for safe and rapid evacuation in case of fire or other emergencies.

II. Directions for evacuation in case of fire or other emergencies are posted in all sleeping quarters.

JJ. Fire extinguishers are placed in or accessible to all sleeping quarters.

KK. Hazardous and combustible materials used in the production process are not stored in the dormitory or in buildings connected to sleeping quarters.

LL. Fire drills are conducted at least every six months.

MM. Sleeping quarters have adequate lighting.

NN. Sufficient toilets and showers or *mandis* are segregated by sex and provided in safe, sanitary, accessible and private areas.

OO. Potable water or facilities to boil water are available to dormitory residents.

PP. Dormitory residents are free to come and go during their off-hours under reasonable limitations imposed for their safety and comfort.

VIII. Freedom of Association

Workers are free to join associations of their own choosing. Factories must not interfere with workers who wish to lawfully and peacefully associate, organize or bargain collectively. The decision whether or not to do so should be made solely by the workers.

A. Workers are free to choose whether or not to lawfully organize and join associations.

B. The factory does not threaten, penalize, restrict or interfere with workers' lawful efforts to join associations of their choosing.

Monitoring and Enforcement

As a condition of doing business with Gap, each and every factory must comply with this **Code of Vendor Conduct.** Gap will continue to develop monitoring systems to assess and ensure compliance.

If Gap determines that any factory has violated this Code, Gap may either terminate its business relationship or require the factory to implement a corrective action plan. If corrective action is advised but not taken, Gap will suspend placement of future orders and may terminate current production.

Hartmarx Corporation Policy (Subscribe to policy of American Apparel Manufacturers Association, AAMA)

AAMA Statement of Responsibility

Members of the American Apparel Manufacturers Association (AAMA) are committed to the fair and rational practice of business in the United States and abroad. Basic to this commitment is the fair and equitable treatment of employees in wages, working conditions, and benefits. In no case do we support the use of child labor, prison labor, discrimination based on age, race, national origin, gender, or religion, the violation of legal or moral rights of employees, nor destruction or harm to the environment.

The American Apparel Manufacturers Association (AAMA) has established this Statement of Responsibility as a guideline for all member companies for their own facilities and for the facilities where production is contracted. AAMA represents over 70 percent of all domestic apparel production in the United States. Members companies manufacture all types of apparel and are located in virtually every state in the United States.

JCPenney Foreign Sourcing Requirements

Supplier Selection. In selecting suppliers, JCPenney attempts to identify reputable companies that are committed to compliance with legal requirements relevant to the conduct of their business.

Legal Requirements. JCPenney requires of its supplier strict compliance with all contract provisions, as well as all applicable laws and regulations, including those of the United states and those of the countries of manufacture and exportation.

Country-of-Origin Labeling. JCPenney will not knowingly allow the importation into the United States of merchandise that does not have accurate country-of-origin labeling.

Prison Labor. JCPenney will not knowingly allow the importation into the United States of merchandise manufactured with convict labor, forced labor or indentured labor.

Child Labor. JCPenney will not knowingly allow the importation into the United States of merchandise manufactured with illegal child labor.

Manufacturer's Certificate. To emphasize its insistence on accurate country-of-origin labeling and its particular abhorrence of the use of prison labor and illegal child labor, JCPenney requires that its foreign suppliers and its U.S. suppliers of imported merchandise, for each shipment of foreign-produced merchandise, obtain a manufacturer's certificate that the merchandise was manufactured at a specified factory, identified by name, location and country, and the neither convict labor, forced labor or indentured labor, nor illegal child labor, was employed in the manufacture of the merchandise.

Factory Visits. On visits to foreign factories, for any purpose, JCPenney associates and buying agents have been asked to be watchful for the apparent use of prison or forced labor, or illegal child labor, or indication of inaccurate country-of-origin labeling, to take immediate responsive action when necessary and to report questionable conduct in these areas to their management for follow-up and, when appropriate, corrective action.

Corrective Action. If it is determined that a foreign factory utilized by a supplier for the manufacture of merchandise for JCPenney is in violation of these foreign sourcing requirements, JCPenney will take appropriate corrective actions, which may include cancellation of the affected order, prohibiting the supplier's subsequent use of the factory or terminating JCPenney's relationship with the supplier.

Jones Apparel Group, Inc.
Business Partner Standards

May, 1996

To Our Business Partners:

Jones Apparel Group, Inc. ("Jones") is committed to legal compliance and ethical business practices in all of our operations worldwide. We choose suppliers and contractors who we believe share that commitment. We are considering placing, or have placed, one or more orders with your company for the manufacture of apparel or for the performance of services with regard to the manufacture of apparel. We would like to call your attention to Jones' policy with regard to legal compliance and ethical business practices.

In our purchase arrangements, we require our suppliers and contractors to comply with all applicable laws and regulations of the country, or countries, in which they are conducting business. Our standards are summarized as follows:

- ***Our business partners*** must share our commitment to compliance with all laws regarding the importation of merchandise into the United States. Our business partners must respect the U. S. Customs laws for importation and the laws concerning the transhipment of merchandise. Transhipment is illegal and Jones will not tolerate this type of transaction for purposes of evading quota or country of origin rules. These are criminal offenses which can carry penalties up to imprisonment.

- ***Our business partners*** must share our commitment to providing a safe and healthy workplace and to treating employees fairly and in compliance with local laws. While we recognize that cultural differences exist and standards may vary by country, we expect our partners to adhere to certain practices. Health, safety and other workplace standards must meet all local laws and safety regulations. Worker housing, where provided, must meet the same standards for health and safety as the workplace. Employees must be compensated fairly for all hours worked and at rates that meet local industry standards. Employees must not be discriminated against because of personal characteristics or beliefs.

- ***Our business partners*** must not utilize child labor as defined by the United Nations standards or by national standards, whichever are higher. They must not utilize forced labor, including prison or other compulsory labor.

- ***Our business partners*** must share our commitment to product quality and to maintaining the operating practices necessary to meet our quality standards.

- ***Our business partners*** must adhere to their national laws regarding the protection and preservation of the environment.

If it is found that a supplier or contractor for the production of merchandise for Jones has committed legal violations, or deals with a factory or supplier that has committed legal violations, or is not in compliance with the standards set forth herein, we will take appropriate action, which may include canceling the affected purchase contract(s), terminating our relationship with the supplier or contractor, commencing legal actions against the supplier or contractor, or other actions as warranted. We support law enforcement and cooperate with law enforcement authorities in the proper execution of their responsibilities.

Your endorsement of this letter will authorize us to send a Jones representative or agent to your premises from time to time to perform such work as is necessary to ensure that you are in compliance with our standards. You agree to cooperate fully and to provide our representative or agent with any and all information requested which is necessary to prove your compliance with the applicable laws or other matters reviewed.

Please sign and return to us a copy of this letter, which evidences your agreement to comply with Jones' policy, and with the employment standards and legal requirements of your country, with respect to the manufacture of all goods and services which you supply to us. If you have any questions concerning compliance with the applicable laws of your country, we suggest that you consult your local attorney.

Please confirm your agreement with all of the foregoing by signing this letter in the space provided below and returning it to us promptly. A duplicate copy of this letter is enclosed for your records.

Sincerely,

____

Chief Financial Officer

The foregoing is agreed to and will be complied with:

____

Signature

____

Title

____

Date

Kellwood Policy on Business Conduct

It is the desire of Kellwood Company, its Subsidiaries and Divisions, to not only be a good citizen of the United States, but also to conduct business in an ethical and moral manner in all of the countries of the world in which we have the privilege to work.

As the scope and breadth of Kellwood's sourcing and customer base expands to include more diverse cultures, we must insure that the business people and companies that we associate with have the same values that we expect from our own employees. To achieve this end Kellwood subscribes, and we endeavor to have our business partners subscribe, to the following principles in conducting business.

> Ethical Standards: We endeavor to respect the ethical and moral standards and beliefs of all peoples and cultures that we deal with. We in turn expect our business partners to respect our rules and procedures.
>
> Legal Requirements: We expect our employees and business partners to abide with the laws of the countries in which we conduct business. We also expect that international law related to the conduct of business between nations be followed at all times.
>
> Health and Safety: We strive to have a safe and healthy working environment in all the facilities that Kellwood owns and operates. We also expect that any business partners that we provide work to will endeavor to provide a safe healthy environment for the employees in the workplace, but also in the living facilities provided to the workers should this be necessary.
>
> Environmental Safekeeping: We understand that the environment that we live in is ours to maintain and protect. We subscribe to manufacturing practices that insure the safekeeping of our natural resources and ecological surroundings and expect our business partners to also adhere to these principles.
>
> Wages and Benefits: The wage and benefit structure of our suppliers must comply with the applicable laws of the Country or State.
>
> Working Hours: We expect our suppliers to operate based on prevailing local work hours. Any time worked over the norm for the area should be compensated at the overtime rate as prescribed by the local labor laws. We encourage our contractors and suppliers to allow workers a reasonable amount of time off from their duties for rest and being with their families.
>
> Child Labor: The use of child labor is not permissible. For a definition of "child", we will look first to the national laws of the country in which business is being conducted. If, however, the laws of that country do not provide such a definition or if the definition includes individuals below the age of 14, we will define "child", for purposes of determining use of illegal child labor, as any one who is:

(a) less than 14 years of age; or

(b) younger than the compulsory age to be in school in the country in which business is being conducted, if that age is higher than 14.

Prison/Forced Labor: We will not knowingly utilize or purchase materials and/or products manufactured by prison or forced labor.

Discrimination: We recognize and are aware that cultural differences will exist between various peoples. However, we do believe that people should be employed based on their ability to perform a needed function not on the basis of personal beliefs or characteristics.

Disciplinary Practices: We will not condone any type of corporal, mental or physical punishment by a supplier or an employee.

October 1992
Revised July 1996

Kmart Corporation Vendor Agreement

June 13, 1996

Dear Kmart Vendor:

The recent public debate and media attention on "sweatshop" allegations in the apparel manufacturing industry, prompt me to write to you today. Certainly, we are appalled by sweatshop conditions at any level within the manufacturing or retail industry. We also believe that innuendoes and unsubstantiated claims that brush broadly across the retail industry in the zeal to catch headlines are deplorable and counterproductive. Responsible dialogue and appropriate business conduct must be our commitment.

For decades, we have insisted on strict compliance with all applicable standards as part of purchase order terms. And, in fact, Kmart has never been found to be in violation of any human rights or labor laws in the manufacture of goods sold in our stores, primarily because we deal only with the most reputable vendors.

As we move forward in realigning our company, none of us can afford to have our reputations tainted by human rights violations. Therefore, your role in relation to the sourcing of the merchandise we sell at our stores is of critical importance. Our policies are clear. Kmart will not do business with any company that violates applicable human rights and labor standards in the manufacture of goods sold at our stores.

If Kmart finds that any of our vendors, in the United States or abroad, falls short of our standards, the following actions will be taken:

- We will cancel the orders and sever our relationship with any vendors that violate these standards.
- Any vendor found in violation of applicable human rights or labor standards will bear the burden of any loss incurred.
- Additionally, a payment, equivalent to 50 percent of the order, will be assessed to the vendor for donation by Kmart to a human rights or children's organization in the community where the violation occurred.

As part of our quality assurance commitment to our customers, we are increasing our regular and surprise on-site inspections of manufacturing facilities around the world. We expect the same level of commitment from our vendors.

I trust that you will join Kmart in doing everything you can to help eliminate impermissible and inappropriate labor conditions in the global manufacturing community. Thank you for your personal attention and commitment to this matter and your prompt return of the following Certification of Compliance with our policies.

June 13,1996

All Kmart Vendors:

Kmart is strongly committed to full compliance with human rights and labor standards as related to the manufacturing of all merchandise sold at our stores. As a vendor to Kmart, you must ensure that there is no misstatement as to the true country of origin of your merchandise, and that none of your merchandise is made in whole or in part using any child, forced or prison labor. This obligation applies not only to your own company, but to any subcontractors you may use in producing goods for Kmart.

If Kmart learns that a factory used by any of our vendors for the production of merchandise has committed legal violations, or failed to comply with our standard Kmart order terms, we will:

- Cancel the affected order(s)
- Terminate our relationship with the vendor
- Take legal action or pursue other equitable remedies to recoup any financial losses incurred by Kmart
- Assess a payment to the vendor, equivalent to 50 percent of the order(s), that Kmart will donate to a human rights or children's organization.

With our current and planned growth in global sourcing, Kmart is increasing our quality control staff to ensure compliance with all applicable human rights and labor standards as well as other critical elements of quality assurance. Consistent with these actions, we expect all of our vendors to increase their factory inspections and take vigilant and immediate action to prevent any problems from occurring.

Please sign and return the following Certification of Compliance to Director of Vendor Development, 3100 W. Big Beaver, Troy, Mich. 48084 by July 15, 1996. Thank you for your prompt attention and personal commitment to this very important matter.

Sincerely,

Executive Vice President, President,
General Merchandise Manager, U.S. Kmart Stores

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Certification of Compliance

"By my signature below, as chief executive officer, and on behalf of my company, I acknowledge receipt of the above letter, and do hereby certify and agree that the company will comply with all applicable labor laws and the order terms and conditions set forth on the back of this agreement for any and all goods supplied to Kmart regardless of country of origin. My company also agrees to make the above assessed payment for donation by Kmart to a human rights or children's organization in the event of failure to comply with any of the above requirements.

(Print) Name & Title - Chief Executive Officer Signature *Date*

Company Name & Address

Lands' End Standards of Business Conduct

As direct merchants, we go anywhere in the world to find partners who are able to give us the best combination of quality, price and service that will allow us to deliver honest value to our customers. In this global environment, we take an interest in the standards of our business partners around the world.

In developing this policy, we have sought to use standards that are appropriate to diverse cultures and encourage workers to take pride in their work. We have found that these standards result in higher quality working environments and in higher quality products.

Compliance with our standards is a condition for becoming and remaining a business partner of Lands' End. We have established procedures to review all issues as they come to our attention.

In all of our dealings with our partners, we comply with our own Lands' End Code of Conduct and the Foreign Corrupt Practices Act. We take special care in selecting partners who follow fair, decent and legal labor practices and agree to our Standards of Business Conduct. We initiate and maintain relationships only with partners who:

- Compensate their employees fairly for normal work hours and overtime.
- Believe that workers should be employed based on their ability to perform the job, rather than discriminating on the basis of race, creed, gender, politics, or other personal characteristics or beliefs.
- Respect basic human rights and place our production where there is no unusual risk to our employees or business interests.
- Provide their employees with a safe and healthy work place, including their residential facilities, if provided.
- Share our concern for the environment and adhere to their local and national laws regarding the protection and preservation of the environment.
- Are knowledgeable of, and in compliance with, all the legal requirements involved in conducting their business.

We will terminate our relationship with any business partner who is found to be involved in the use of:

- **Forced** or **Compulsory Labor.**
- **Child Labor** below the minimum working age in the host country.
- Corporal Punishment or other forms of **mental** or **physical coercion.**

Our business partners are required to provide full access to their facilities and to relevant records relating to employment practices. We will conduct on-site inspections of facilities to monitor these standards and assure the quality of our products.

Levi Strauss & Co. Global Sourcing & Operating Guidelines

Levi Strauss & Co. seeks to conduct its business in a responsible manner. We believe this is an important element of our corporate reputation which contributes to the strength of our commercial success. As we expand our marketing activities abroad, and work with contractors and suppliers throughout the world to help meet our customers' needs, it is important to protect our Company's reputation in selecting where and with whom to do business.

Levi Strauss & Co.'s Global Sourcing & Operating Guidelines include two parts: the Business Partner Terms of Engagement, which address workplace issues that are substantially controllable by individual business partners; and the Country Assessment Guidelines, which address larger, external issues beyond the control of individual business partners.

Business Partner Terms of Engagement

The Terms of Engagement are tools that help protect Levi Strauss & Co.'s corporate reputation and, therefore, its commercial success. They assist us in selecting business partners that follow work place standards and business practices consistent with our Company's policies. As a set of guiding principles, they also help identify potential problems so that we can work with our business partners to address issues of concern as they arise.

Specifically, we expect our business partners to operate workplaces where the following standards and practices are followed:

1. ETHICAL STANDARDS

We will seek to identify and utilize business partners who aspire as individuals and in the conduct of all their businesses to a set of ethical standards not incompatible with our own.

2. LEGAL REQUIREMENTS

We expect our business partners to be law abiding as individuals and to comply with legal requirements relevant to the conduct of all their businesses.

3. ENVIRONMENTAL REQUIREMENTS

We will only do business with partners who share our commitment to the environment and who conduct their business in a way that is consistent with Levi Strauss & Co.'s Environmental Philosophy and Guiding Principles.

4. COMMUNITY INVOLVEMENT

We will favor business partners who share our commitment to contribute to improving community conditions.

5. EMPLOYMENT STANDARDS

We will only do business with partners whose workers are in all cases present voluntarily, not put at risk of physical harm, fairly compensated, allowed the right of free association and not exploited in any way. In addition, the following specific guidelines will be followed:

- ***Wages and Benefits***. We will only do business with partners who provide wages and benefits that comply with any applicable law and match the prevailing local manufacturing or finishing Industry practices.
- ***Working Hours***. While permitting flexibility in scheduling, we will identify prevailing local work hours and seek business partners who do not exceed them except for appropriately compensated overtime. While we favor partners who utilize less than sixty-hour work weeks, we will not use contractors who, on a regularly scheduled basis, require in excess of a sixty-hour week. Employees should be allowed at least one day off in seven.
- ***Child Labor***. Use of child labor is not permissible. Workers can be no less than 14 years of age and not younger than the compulsory age to be in school. We will not utilize partners who use child labor in any of their facilities. We support the development of legitimate workplace apprenticeship programs for the educational benefit of younger people.
- ***Prison Labor/Forced Labor.*** We will not utilize prison or forced labor in contracting relationships in the manufacture and finishing of our products. We will not utilize or purchase materials from a business partner utilizing prison or forced labor.
- ***Health & Safety***. We will only utilize business partners who provide workers with a safe and healthy work environment. Business partners who provide residential facilities for their workers must provide safe and healthy facilities.
- ***Discrimination***. While we recognize and respect cultural differences, we belive that workers should be employed on the basis of their ability to do the job, rather than on the basis of personal characteristics or beliefs. We will favor business partners who share this value.
- ***Disciplinary Practices***. We will not utilize business partners who use corporal punishment or other forms of mental or physical coercion.

Country Assessment Guidelines

The diverse cultural, social, political, and economic circumstances of the various countries where Levi Strauss & Co. has existing or future business raise issues that could subject our corporate reputation and therefore, our business success, to potential harm. The Country Assessment Guidelines are intended to help us assess these issues. The Guidelines are tools that assist us in making practical and principled business decisions as we balance the potential risks and opportunities associated with conducting business in a particular country.

In making these decisions, we consider the degree to which our global corporate reputation and commercial success may be exposed to unreasonable risk. Specifically, we assess whether the:

BRAND IMAGE would be adversely affected by a country's perception or image among our customers and/or consumers;

HEALTH AND SAFETY of our employees and their families, or our company representatives would be exposed to unreasonable risk;

HUMAN RIGHTS ENVIRONMENT would prevent us from conducting business activities in a manner that is consistent with the Global Sourcing Guidelines and other company policies;

LEGAL SYSTEM would prevent us from adequately protecting our trademarks, investments or other commercial interests, or from implementing the Global Sourcing Guidelines and other company policies; and

POLITICAL, ECONOMIC AND SOCIAL ENVIRONMENT would threaten the Company's reputation and/or commercial interests.

In making these assessments, we take into account the various types of business activities and objectives proposed (e.g., procurement of fabric and sundries, sourcing, licensing, direct investments in subsidiaries) and, thus, the accompanying level of risk involved.

Levi Strauss & Co. is committed to continuous improvement in the implementation of its Global Sourcing & Operating Guidelines. As we apply these standards throughout the world, we will acquire greater experience. As has always been our practice, we will continue to take into consideration all pertinent information that helps us better address issues of concern, meet new challenges and update our Guidelines.

Business partners are contractors and subcontractors who manufacture or finish our products and suppliers who provide raw materials used in the production of our products. We have begun applying the Terms of Engagement to business partners involved in manufacturing and finishing and plan to extend their application to suppliers.

The Limited, Inc. Code of Conduct

What we stand for: Our Relationships with Vendors and Suppliers

Honesty, integrity and fair treatment of our own associates, our customers and our suppliers have been the basic principles of the business ever since the day I opened the first Limited store in 1963. I have always insisted that we conduct our business according to ethical standards that all of us could point to with pride. In a very real sense, the company has been an extension of our long-standing commitment to the idea that success requires every person associated with us be treated fairly, and that every product we offer the public be of the highest quality.

I am determined that The Limited, Inc. conduct its business in accordance with high ethical standards. The demands of our customers for diverse and affordable merchandise of the highest quality can only be met by the development of a sourcing base that is increasingly flexible, diverse and global in scope. The continued growth and internationalization of our activities will inevitably present challenges to the principles that we hold most dear.

All of our associates are expected to support actively our principles through two concurrent activities: first, we must be advocates of those standards to our vendors and their subcontractors, and encourage the development of a supplier base that constantly seeks to improve its quality and work conditions. Second, we must vigilantly guard against violations of the letter or spirit of our principles.

It's important that every associate understand the policy that guides our relationships with vendors and their subcontractors, as outlined in this booklet. Our relationships with others say a great deal about us, our values and our standards. We all share a responsibility for improving the world in which we live, and it is up to each one of us to implement our standards, and to create greater quality and greater opportunity in every community in which we live and work.

Thank you for your participation in this ongoing effort.

The Limited, Inc.'s vendor policy is quite simple: we will actively seek and favor suppliers whose standards are compatible with our own, and we will not do business with companies or individuals that do not meet those standards.

Our policy consists of three components:

1) Principles
2) Education
3) Enforcement

Principles

We expect our suppliers to comply with all applicable laws, regulations and industry standards. Period.

We also expect our suppliers and subcontractors to:

- Promote an environment of dignity, respect and opportunity;
- Provide safe and healthy working conditions;
- Offer fair compensation through wages and other benefits;
- Hire workers of legal age, who accept employment on a voluntary basis;
- Maintain reasonable work hours.

Finally, we require that all suppliers be particularly vigilant about compliance with country of origin and other requirements of the U.S. Customs Service and related agencies, and with all similar requirements of other applicable jurisdictions.

Education

We take our responsibilities as a corporate citizen very seriously, and we act decisively to ensure that our policies and standards are understood and adhered to by all those with whom we do business.

We insist that all associates who come into contact with our suppliers be sensitive to our concerns, and are therefore required as a matter of job description to report anything they observe or discover that indicates our standards are not being met. We encourage compliance with our standards through the maintenance of an ongoing list of suppliers who consistently meet our expectations. This list of "preferred suppliers" is regularly updated and supplied to all of our businesses when they are seeking to source new contracts.

Each of us is expected to be an active proponent of our principles, as each of us must prove what we stand for by our actions. Every associate with a responsibility for vendor relationships is asked to acknowledge, in writing, that he or she understands our standards and principles, and can then act as an active participant in their implementation.

In addition to our internal education procedures, we share our policies with every direct vendor and supplier and expect them to share the policy with their subcontractors. Each of them is required to acknowledge our policies and standards. While we recognize that local customs and values profoundly influence individual judgments in many areas covered by these standards, we also support the work of international agencies and organizations that seek to develop internationally recognized standards for labor practices and business conduct.

Enforcement

We will hold our vendors responsible for the work they do for us, or subcontract on our behalf. Given the size of our business, we recognize that it's difficult to live up to our expectations. In any year we purchase billions of dollars' worth of apparel and other products for our stores from hundreds of suppliers in the U.S. and around the world. We make it clear to everyone with whom we work that we expect them to comply with all applicable laws and regulations, as well as our broader business standards. But some violations are always a possibility.

The size of the task will not deter us from working to enforce our principles. That's why we require our suppliers to keep detailed and accurate records, and to permit our quality assurance and internal audit teams to make both regular and unannounced on-site inspections of their facilities. These teams regularly review compliance with our policy as part of their factory evaluation and qualifications inspections, and our suppliers are expected to replicate these efforts throughout their supply base. Suppliers periodically are required to certify their compliance, and the compliance of their subcontractors, with this policy. And every supplier with which we do business must agree to our requirements as a legal part of every job order or contract signed with us.

A violation of the letter or spirit of our policies constitutes a breach of our relationship, which may result in

- Cancellation of orders;
- Termination of our business relationship;
- Notification of responsible authorities.

Liz Claiborne
Human Rights Policy Statement
Standards of Engagement

Policy

Liz Claiborne, Inc. and its subsidiaries are committed to producing high quality products at a good value to our consumer. The Company not only follows the letter and spirit of all applicable laws, but maintains a high standard of business ethics and regard for human rights. Moreover, we require sound business ethics from our suppliers.

Liz Claiborne, Inc. and its Subsidiaries
Standards of Engagement

1. **Legal Requirements**. Suppliers must observe all applicable laws of their country, including laws relating to employment, discrimination, the environment, safety and the apparel and related fields. Moreover, suppliers must comply with applicable United States laws relating to the import of products, including country of origin labelling, product labelling and fabric and product testing. If local or industry practices exceed local legal requirements, this higher standard should be met.

2. **Health and Safety**. Conditions must be safe, clean and acceptable throughout all work and residential facilities.

3. **Employment Practices**. We will only support businesses who are fair to their employees:

    — Suppliers must pay wages and benefits and provide compensation for overtime consistent with local laws.

    — Suppliers must adopt working hours that do not exceed prevailing local law. One day in seven should be regularly encouraged as a day off.

    — Suppliers must not use child labor as defined by local law (however, workers must be at least 15 years of age), forced labor or prison labor.

    — Suppliers must not use corporal punishment or other mental or physical disciplinary actions or engage in sexual harassment.

    — We favor suppliers who do not discriminate based upon race, religion, national origin, political affiliation or sex, and who encourage free association and freedom of expression.

4. **Environmental Practice.** We favor suppliers who practice environmental protection.

5. **Ethical Conduct**. We will encourage our suppliers to embrace ethical standards in the conduct of their businesses. We will not support or participate in any way in any local, regional or national war or armed conflict in any country in which we do business and will seek to minimize our business risk where conflict exists, emphasizing the safety of our employees and representatives.

If you believe that these Standards of Engagement are not being upheld or if you have any questions regarding then Standards of Engagement, please contact the Liz Claiborne country manager. Your identity will be kept in confidence.

Mercantile Stores

CHILD LABOR POLICY

Mercantile will not utilize partners who, in violation of local laws, use child labor in any of their facilities. We will not initiate or renew contractual relationships with any factory which does not fully support and comply with this policy.

We are asking all our trading partners to indicate their acceptance of and compliance with this polcy by signing this statement.

FACTORY # ______________

COUNTRY ______________

Company Name ______________________________

Accepted By ______________________________

Date ______________________________

Montgomery Ward Policy
(Subscribes to policy of the National Retail Federation, NRF)

NRF
STATEMENT OF PRINCIPLES ON SUPPLIER LEGAL COMPLIANCE

1. We are committed to legal compliance and ethical business practices in all our operations.

2. We choose suppliers who we believe share that commitment.

3. In our purchase contracts, we require our suppliers to comply with all applicable laws and regulations.

4. If it is found that a factory used by a supplier for the production of our merchandise has committed legal violations, we will take appropriate action, which may include cancelling the affected purchase contract(s), terminating our relationship with the supplier, commencing legal actions against the supplier, or other actions as warranted.

5. We support effective law enforcement and cooperate with law enforcement authorities in the proper execution of their responsibilities.

6. We support educational efforts designed to enhance legal compliance on the part of the U.S. apparel manufacturing industry.

NIKE Policy

Wherever NIKE operates around the globe, the company is guided by the following Code of Conduct, and binds its business partners to the code's principles with a signed Memorandum of Understanding.

THE NIKE CODE OF CONDUCT

NIKE, Inc. was founded on a handshake.

Implicit in that act was the determination that we would build our business with all of our partners upon trust, teamwork, honesty and mutual respect. We expect all of our business partners to operate on the same principles.

At the core of the NIKE corporate ethic is the belief that we are a company comprised of many different kinds of people, appreciating individual diversity, and dedicated to equal opportunity for each individual.

NIKE designs, manufactures and markets sports and fitness products. At each step in that process, we are dedicated to minimizing our impact on the environment. We seek to implement to the maximum extent possible the three "R's" of environmental action: reduce, reuse and recycle.

We seek always to be a leader in our quest to enhance people's lives through sports and fitness. That means at every opportunity — whether in the design, manufacturing and marketing of products; in the environment; in the areas of human rights and equal opportunity; or in our relationships in the communities in which we do business — we seek to do not only what is *required*, but, whenever possible, what is *expected* of a leader.

There Is No Finish Line.

MEMORANDUM OF UNDERSTANDING
(NIKE)

1. Government regulation of business

(Subcontractor/supplier) certifies compliance with all applicable local government regulations regarding minimum wage; overtime; child labor laws; provisions for pregnancy, menstrual leave; provisions for vacation and holidays; and mandatory retirement benefits.

2. Safety and health

(Subcontractor/supplier) certifies compliance with all applicable local government regulations regarding occupational health and safety.

3. Worker insurance

(Subcontractor supplier) certifies compliance with all applicable local laws providing health insurance, life insurance and worker's compensation.

4. Forced labor

(Subcontractor supplier) certifies that it and its suppliers and contractors do not use any form of forced labor — prison or otherwise.

5. Environment

(Subcontractor supplier) certifies compliance with all applicable local environmental regulations, and adheres to NIKE's own broader environmental practices, including the prohibition on the use of chloro-flouro-carbons (CFCs), the release of which could contribute to the depletion of the earth's ozone layer.

6. Equal opportunity

(Subcontractor supplier) certifies that it does not discriminate in hiring, salary, benefits, advancement, termination or retirement on the basis of gender, race, religion, age, sexual orientation or ethnic origin.

7. Documentation and inspection

(Subcontractor supplier) agrees to maintain on file such documentation as may be needed to demonstrate compliance with the certifications in this Memorandum of Understanding, and further agrees to make these documents available for NIKE's inspection upon request.

Nordstrom
Standards and Business Practice Guidelines

We at Nordstrom recognize that our success is based on the quality of our relationships — with customers, employees, manufacturers, vendors and communities. To maintain the caliber of these relationships — and to achieve our goal of always providing the best-value product in the most equitable manner — we have established certain standards for our business partners. In setting forth these guidelines, it is our desire to identify potential partners who share our commitment not only to quality products, but to quality business and community relationships as well.

The Nordstrom Partnership Guidelines

1. LEGAL REQUIREMENTS

   Nordstrom expects all of its partners to comply with the applicable laws and regulations of the United States and those of the respective country of manufacture or exportation. All products must be accurately labeled and clearly identified as to their country of origin.

2. HEALTH AND SAFETY REQUIREMENTS

   Nordstrom seeks partners who provide safe and healthy work environments for their workers, including adequate facilities and protections from exposure to hazardous conditions or materials.

3. EMPLOYMENT PRACTICES

   Nordstrom firmly believes people are entitled to equal opportunity in employment. Although the company recognizes cultural differences exist, Nordstrom pursues business partners who do not discriminate and who demonstrate respect for the dignity of all people.

4. ENVIRONMENTAL STANDARDS

   Partners must demonstrate a regard for the environment, as well as compliance with local environmental laws. Further, Nordstrom actively seeks partners who demonstrate a commitment to progressive environmental practices and to preserving the earth's resources.

5. DOCUMENTATION AND INSPECTION

   Nordstrom intends to monitor compliance with our Partnership Guidelines and to undertake on-site inspection of partners' facilities. Nordstrom will review and may terminate its relationship with any partner found to be in violation of the Partnership Guidelines.

FURTHER, NORDSTROM EXPECTS PARTNERS TO ADHERE TO THE FOLLOWING:

WORKING WAGES, HOURS AND OVERTIME

We expect our partners to offer wages, benefits and work conditions which are consistent with prevailing local industry standards. Nordstrom also expects them to comply with all applicable wage and hour laws, rules and regulations — including those related to overtime.

CHILD LABOR

Nordstrom will not enter into partnership with vendors who utilize child labor in the manufacture of their goods. The term "child" generally refers to a person younger than the age for completing compulsory education.

PRISON OR FORCED LABOR

Nordstrom will not conduct business with vendors who utilize prison, indentured or forced labor in the manufacture of its products.

If you have any questions regarding our Partnership Guidelines, please contact:

Nordstrom Public Affairs
1501 Fifth Avenue
Seattle, WA 98101-1603
U.S.A.

(206) 628-2111
Fax (206) 628-1925

Oxford Industries, Inc. Contractor Sourcing Policy

General Policy: It is the firm policy of Oxford Industries, Inc. and its subsidiaries to do business only with contractors who adhere to the laws of their host countries. It is the responsibility of the Oxford contract manager or employee who hires the contractor (1) to insure that each contractor understands and agrees to abide by Oxford's policy in this regard, (2) to take reasonable steps to ascertain that the contractor is in fact in compliance with Oxford's policy, and (3) to document the steps taken to comply with this policy.

Contractors: This policy covers all manufacturing contractors, including, but not limited to, cutting, sewing, printing, embroidery, finishing, dyeing and laundry contractors. Also covered are manufacturers who sell packages, i.e. completed garments whose price includes fabric and trim.

Domestic and Foreign Policies: Oxford has two versions of its Sourcing Policy, one for the United States and another for the rest of the world. The two versions are attached. The Sourcing Policy (United States) specifically requires adherence to the Fair Labor Standards Act, and federal, state and local child labor and fair employment laws. It also prohibits a contractor from hiring a worker who cannot legally work in the United States. The Sourcing Policy (Worldwide) prohibits the use of prison labor and addresses the issues of contractor-provided housing and transshipping.

Implementation: It is the responsibility of the contract manager or Oxford employee who hires the contractor to:

1. Explain Oxford's Sourcing Policy to the contractor's officers and/or managers.

2. Give a copy of the Sourcing Policy to the contractor.

3. Obtain a copy of the Contractor's Acknowledgement and Agreement (copy attached) that has been signed by an officer of the contractor and maintain this document in a safe and readily accessible place. The relevant version of the Sourcing Policy should be attached.

4. Periodically remind the contractor of its commitment to adhere to the Sourcing Policy.

5. Take reasonable steps to ascertain the contractor's compliance with the Sourcing Policy. Depending on the location of facility these steps may include reviewing the age documentation of workers who appear to be underage, inspecting contractor-provided housing, speaking directly with workers about wage payments and other working conditions and randomly checking personnel files.

6. Report all violations and suspicions of violations to the appropriate Oxford manager.

Questions: Any questions about the Sourcing Policy and its implementation should be directed to Oxford's Legal Department.

OXFORD INDUSTRIES, INC.
SOURCING POLICY
(WORLDWIDE)

Oxford Industries, Inc. expects each of its manufacturing contractors to treat its employees in a fair and equitable manner. To that end Oxford will only employ those contractors who abide by the following standards:

> Children and Prisoners: No contractor shall use prison labor or the labor of children below the minimum working age in the host country.
>
> Wages and Benefits: Each contractor must pay its employees at least the minimum required wages and benefits mandated by the laws of the host country. Wages and benefits must be calculated and paid according to the laws of the host country.
>
> Health and Safety: Each contractor must provide a safe and healthy workplace to its workers.
>
> Employee Living Conditions: If a contractor provides housing or sustenance to its employees, these shall be at least to the normal standards of the host country.
>
> Subcontracting: No contractor may subcontract work without the express written permission of Oxford and then such subcontracting shall only be permitted to companies that abide by this Sourcing Policy.
>
> Transshipping: All work shall be performed in the country of origin which has been identified by the contractor.

Violation of this Sourcing Policy may lead to the immediate cancellation of production contracts with the contractor.

ACKNOWLEDGEMENT AND AGREEMENT

___________("Contractor"), with a facility address of________________, hereby acknowledges that it has received and understands the Oxford Industries, Inc. Sourcing Policy, a copy of which is attached to this Acknowledgement and Agreement, and in consideration of being hired to manufacture certain products for Oxford Industries, Inc., Contractor agrees to comply in all respects with the requirements of the Oxford Industries, Inc. Sourcing Policy.

(Name of Contractor)
(Signature)
(Print Name)
(Title)
(Date)

Phillips-Van Heusen
Requirements for Suppliers, Contractors, Business Partners

A Shared Commitment

The guidelines you are about to read are of utmost importance to the Phillips-Van Heusen Corporation and to the relationships we form with suppliers, contractors and business partners.

While we place tremendous importance on these relationships, many of which qualify as genuine friendships of long standing, certain values and standards have always been, and will always remain, paramount. Adherence to these values and standards by the people and companies we do business with is a prerequisite for continuing or establishing relationships with our company.

Indeed, we cannot do business with any company that fails to adhere to these ideals.

We believe that by working together to see these standards enforced, our company and its suppliers, contractors and, business partners can help achieve a genuine improvement in the lives of working people around the world.

This mission has been a guiding principle of our company for more than a century, and it shall guide us in the future and take precedence over any economic or business concern.

Guidelines for Vendors:

While respecting cultural differences and economic variances that reflect the particular countries where we and our vendors do business, our goal is to create, and encourage creation of, model facilities that not only provide good jobs at fair wages, but which also improve conditions in the community at large. Therefore we actively seek business associations with those who share our concerns.

The following guidelines address issues which are substantially controllable by our vendors.

- ***Ethical Standards***

  We will not do business with any vendor who discriminates based on race, gender or religion. We will not do business with any vendor who violates the legal and moral rights of employees in any way.

- ***Environmental Requirements***

  A commitment to the environment must be shared by our vendors. While the apparel and footwear businesses are not among those industry sectors which are often cited for environmental infringements, there are many ways in which we can work to nurture a better environment — at our facilities and in the communities in which we operate.

- ***Legal Requirements***

We expect our vendors to be law abiding citizens and to comply with any and all legal requirements relevant to the conduct of their business.

- ***Health and Safety Requirements***

We will only do business with vendors who provide employees with a safe and healthy work environment. Vendors should make a responsible contribution to the health care needs of their employees.

Employment Practices:

We will not do business with any vendor who fails to consistently treat employees fairly with regard to wages, benefits and working conditions. Specifically, the following guidelines apply:

- We will only do business with vendors who provide reasonable wages and benefits that match or exceed the prevailing local industry standard.

- While permitting flexibility in scheduling, we will only do business with vendors who do not exceed prevailing local work hours and who appropriately compensate overtime. No employee should be scheduled for more that sixty hours of work per week, and we will favor vendors who utilize work weeks of less than sixty hours. Employees should be allowed at least one day off per seven day week.

- We will not be associated with any vendor who uses any form of mental or physical coercion. We will not do business with any vendor who utilizes prison or forced labor.

- We will not do business with any vendor who denies their employees appropriate access to education, health care, religious observance or family obligations.

- We will favor vendors who share our commitment to contribute to the betterment of the communities in which they operate.

- We will never do business with any company that makes use of child labor. Employees of our vendors must be over the applicable minimum legal age requirement or be at least 14 years old, whichever is greater. Vendors must observe all child labor laws, particularly those pertaining to hours of work, wages, minimum education and working conditions. We encourage vendors to support night classes and work-study programs, especially for younger workers.

We have in the past suspended our association with a company that was found to abuse the rights of employees, and we will not hesitate to do so in the future if any of the standards outlined above are violated.

The Phillips-Van Heusen Commitment:

- To conduct all business in keeping with the highest moral, ethical and legal standards.
- To recruit, train, and provide career advancement to all associates without regard to race, gender or religion. Bigotry, racism and sexual harassment will not be tolerated.
- To maintain workplace environments that encourage frank and open communications.
- To be concerned with the preservation and improvement of our environment.
- To be ever mindful that our dedication to these standards is absolute and will not be compromised.

PriceCostco Policy
(Excerpt from Vendor Agreement)

23. **CHILD LABOR LAWS/PRISON LABOR LAWS**

a. Vendor hereby certifies that each factory and all subcontractor factories used in producing the Product **Do Not and Will Not:**

use any child laborers; or
use any prison or forced laborers.

b. Vendor also agrees that it will comply with the most current labor laws of the country where the Product is produced.

Vendor will secure a written and signed confirmation from the owner of the prime factory that said prime factory and all subcontractor factories used are in compliance with this requirement. If requested, Vendor is to submit this certification to PriceCostco.

Ross Stores, Inc. Conditions of Contract

1. SHIPMENTS RECEIVED AFTER THE 24TH OF THE MONTH WILL BE CONSIDERED AS IF RECEIVED BY PURCHASER ON THE FIRST DAY OF THE FOLLOWING MONTH.

2. EXCESS TRANSPORTATION CHARGES DUE TO SPLIT SHIPMENTS OR FAILURE TO COMPLY WITH ROUTING INSTRUCTIONS WILL BE CHARGED BACK TO SELLER.

3. BASIC TRADE PROVISIONS ADOPTED BY NRMA ARE INCLUDED IN TERMS OF THIS ORDER BY REFERENCE THERETO.

4. THE SELLER IN ACCEPTING THIS ORDER REPRESENTS AND WARRANTS THE MERCHANDISE SHIPPED IS SAFE AND FIT FOR THE USE FOR WHICH IT IS MANUFACTURED. THAT IT IS FREE FROM ANY DEFECTS OR MATTER INJURIOUS TO PERSONS OR PROPERTY AND COMPLIES WITH AND HAS BEEN OR WILL BE MANUFACTURED IN STRICT ACCORDANCE WITH THE PROVISIONS OF ALL RELEVANT AND APPLICABLE FEDERAL, STATE AND LOCAL LAWS AND REGULATIONS INCLUDING BUT NOT LIMITED TO EACH AND EVERY ONE OF THE FOLLOWING:

   A) THE PRICE DISCRIMINATION ACT APPROVED JUNE 19, 1936.

   B) THE FEDERAL CHILD LABOR LAW.

   C) ALL FEDERAL, CALIFORNIA AND LOCAL LAWS AND REGULATIONS REGULATING THE MANUFACTURING AND SALE APPLICABLE HERETO.

   D) THE WEIGHT, MEASURES AND SIZES AS REQUIRED BY THE STANDARDS OF THE GOVERNMENT.

5. THE SELLER REPRESENTS AND WARRANTS THAT THERE HAS BEEN NO VIOLATION OF ANY TRADEMARK RIGHTS, COPYRIGHTS OR PATENT RIGHTS.

6. SELLER ACKNOWLEDGES THAT THE PROPER GUARANTEE(S) ON THE INVOICE(S) COVERING THIS ORDER ARE IN THE FORM REQUIRED UNDER THE ACTS HEREAFTER ENUMERATED, OR THAT THE APPROPRIATE CONTINUING GUARANTEE IS ON FILE WITH THE FEDERAL TRADE COMMISSION OR OTHER ADMINISTRATIVE AGENCY.

   SELLER WARRANTS AND GUARANTEES THAT THE MERCHANDISE SHIPPED UNDER THIS ORDER IS LABELED IN ACCORDANCE WITH AND COMPLIES WITH THE REQUIREMENTS OF THE FOLLOWING BUT NOT LIMITED TO: FEDERAL WOOL PRODUCTS LABELING ACT, FUR PRODUCTS LABELING ACT, TEXTILE FIBER PRODUCTS IDENTIFICATION ACT, HAZARDOUS SUBSTANCES LABELING ACT, FLAMMABLE FABRICS ACT, FEDERAL FOOD, DRUG & COSMETICS ACT AND THE CHILD PROTECTION AND TOY SAFETY ACT, ETC. "GUIDES", TRADE PRACTICE RULES AND REGULATIONS AND ALL AMENDMENTS THERETO. ALL ELECTRICAL APPLIANCES WILL COMPLY WITH THE STANDARDS OF THE UNDERWRITERS LABORATORIES.

7. SELLER AGREES TO DEFEND, PROTECT AND HOLD THE PURCHASER HARMLESS FROM CLAIMS, SUITS, LIABILITIES, DAMAGES OR EXPENSES ASSERTED AGAINST OR INCURRED BY PURCHASER BY REASON OF THE USE OF SELLERS MERCHANDISE BY CUSTOMERS OF PURCHASER OR OTHERS, AND SELLER AGREES TO SECURE SUITABLE PRODUCTS AND CONTRACTUAL LIABILITY INSURANCE FOR THE INVESTIGATION, DEFENSE AND SETTLEMENT OF ANY SUCH CLAIMS FOR VIOLATIONS OF ANY OF THE FOREGOING WARRANTIES.

8. A WAIVER OF ANY OR FAILURE TO PERFORM ANY ONE OR MORE OF THE CONDITIONS OF THIS ORDER SHALL NOT CONSTITUTE A WAIVER OF, NOR AN EXCUSE

FOR NON-PERFORMANCE AS TO ANY OTHER PART OF THIS OR ANY OTHER ORDER.

9. SELLER AGREES TO SAVE, INDEMNIFY AND HOLD PURCHASER FREE AND HARMLESS FROM ANY AND ALL LIABILITIES, CLAIMS, SUITS AND COSTS INCURRED BY PURCHASER BASED ON VIOLATION OF LAWS, PATENT INFRINGEMENTS, DEFECTS OR MATTERS INJURIOUS TO PERSONS OR PROPERTY.

10. BILLS OF LADING MUST SHOW EXACT ARTICLES (I.E., SHIRTS, SUITS, PAJAMAS, ETC.) SHIPPED AND WHAT MATERIAL IS MADE OF (I.E., COTTON, RAYON, WOOL, ETC.). BILLS OF LADING SHOWING CLOTHING, DRY GOODS, ETC., IS NOT SUFFICIENT.

11. EXCESS COSTS INCURRED BY PURCHASER DUE TO FAILURE TO SHOW CORRECT WEIGHT AND FREIGHT DESCRIPTION ON BILL OF LADING WILL RESULT IN CHARGE BACK TO SELLER OF SUCH EXCESS COSTS PLUS HANDLING CHARGES.

12. FAILURE TO INVOICE ALL STORES ON ONE INVOICE COVERING A SINGLE SHIPMENT WILL RESULT IN A MINIMUM PENALTY CHARGE OF $1.00 FOR EACH EXTRA INVOICE.

13. SELLER REPRESENTS TO PURCHASER THAT SELLER HAS THE RIGHT TO USE ANY AND ALL TRADEMARKS, TRADE NAMES AND TRADE ADDRESSES ASSOCIATED WITH THE MERCHANDISE. SELLER AGREES TO SAVE, INDEMNIFY AND HOLD PURCHASER FREE AND HARMLESS FROM ANY AND ALL LIABILITIES, CLAIMS, SUITS AND COSTS INCURRED BY PURCHASER AS RESULT OF THE BREACH OF SELLER'S REPRESENTATION AND FURTHER AGREES TO DEFEND PURCHASER, AT SELLER'S EXPENSE, AGAINST ANY CLAIMS OR SUITS OR OTHER PROCEEDINGS BROUGHT AGAINST PURCHASER AS A RESULT OF ANY SUCH BREACH.

Russell Corporation Vendor Policy

Russell Corporation, an Alabama corporation (hereinafter referred to as "Russell") founded in 1902, has adopted a vision statement which reads, in part:

"To provide the highest quality branded and private label apparel and textiles with superior customer value and unparalleled service, globally to consumers of all ages through selected channels of distribution. We will conduct this endeavor in a manner responsible to our employees, business partners and our environment."

Russell strives to conduct its business in a manner that reflects this vision and the corresponding fundamental values. As we expand our sourcing base through strategic alliances, we will only do business with vendors whose practices are compatible with our vision.

Each of our vendors, including vendors outside the United States, are expected to support our vision and values and to assure compliance in all contracting, subcontracting or other relationships. To assist Russell in assuring compliance with these standards, Vendor agrees to require all of its officers and employees who will be responsible for or involved with the implementation of procedures designed to ensure compliance with these standards to review and familiarize themselves with these standards.

Legal and Ethical Standards

All vendors shall comply with the legal requirements and standards of their industry under the national laws of the countries in which the vendors are doing business. Should the legal requirements and standards of the industry conflict, vendors must, at a minimum, comply with the legal requirements of the country in which the products are manufactured. If, however the industry standards exceed the country's legal requirements, Russell will favor vendors who meet such industry standards. Vendors shall comply with all import and export regulations of the U.S. Customs Service, all U.S. Government agencies and their own national laws.

Russell does not condone or permit any activities which are in violation of U.S. Customs Laws, International Treaties or Foreign Laws, including, but not limited to, false declarations of country of origin or other false documentation, counterfeit visas or illegal transshipment to evade the Textile Quota Restraint Agreements negotiated between the country of export and the United States.

All merchandise shall be accurately marked or labeled with its country of origin, in compliance with the laws of the United States and those of the country of manufacture.

All shipments of merchandise will be accompanied by the requisite documentation issued by the proper governmental authorities, including but not limited to, import licenses, quota allocations and visas and shall comply with orderly marketing agreements, voluntary restraint agreements and other such agreements in accordance with U.S. law. The commercial invoice shall accurately describe all the merchandise contained in the shipment, identify the country of origin of each article contained in the shipment and shall list all payments, whether direct or indirect to be made for the merchandise, including, but not limited to, any assists, selling commissions or royalty payments.

Discrimination / Human Rights

Russell does not condone or permit the use of child labor, forced, indentured, involuntary, prison or uncompensated labor under any circumstances. For purposes of this standard "child labor" shall mean the employment of individuals who are under the age permitted by applicable law in the State Country of manufacture. Russell favors vendors who have a social and political commitment to basic principles of human rights and who do not discriminate against their employees in hiring practices or any other term or condition of worth on the basis of race, color, national origin, gender, religion, disability, sexual orientation or political opinion.

Additionally, we will utilize only those vendors who conduct themselves and their enterprises according to ethical standards compatible with our own.

Workplace Environment

Russell maintains a safe, clean, healthy and productive environment for it's employees and expects the same from its vendors. Vendors shall provide their employees with safe and healthy working conditions, adequate medical facilities, fire exits and safety equipment, well lit and comfortable workstations, clean restrooms and adequate living quarters where necessary. Russell will not do business with any vendor which provides an unhealthy or hazardous work environment or which utilizes mental or physical disciplinary practices.

We expect our business partners to provide wages and benefits within reason and in compliance with all applicable local requirements. We will favor those who contribute to the community in areas such as education, health care and other related social programs.

Environmental Concerns

Russell maintains a proactive stance regarding employee and community issues through its business practices. As a responsible corporate citizen we will utilize only those vendors who share our commitment to the community and the environment and who conform with all local requirements regarding environmental codes and guidelines.

Right of Inspection

To further assure proper implementation of and compliance with the standards set forth in this Policy, Russell, or a third party designated by Russell, will undertake affirmative measures such as on-site inspection of production facilities, to implement and monitor said standards. Any vendor's failure or refusal to comply with these standards may result in immediate cancellation by Russell of all its outstanding orders with that vendor as well as termination of the agreement.

As an officer of____________, a vendor of Russell Corporation, I have read the principles and terms described in this document and understand my company's business relationship with Russell Corporation is based upon said company being in full compliance with these principles terms. I further understand that failure by a vendor to abide by any of the terms and conditions stated herein may result in the immediate cancellation by Russell Corporation of all outstanding orders with that vendor and termination of the Agreement. I am signing this statement, as a corporate representative of ____________ to acknowledge, accept and agree to abide by the standards, terms and conditions set forth in this Policy between my company and Russell Corporation. I hereby affirm that all actions, legal and corporate, to make this Policy binding and enforceable against have been completed.

Company name
Address & Telephone Number

Representative Name:
Typed Name:
Title:
Date:

Salant Corporation Compliance Certificate

Dear Salant Vendor:

It is Salant Corporation's policy to require all vendors to comply with all applicable wage, hour and child labor laws, rules and regulations, including minimum wage, overtime and maximum, hours. Our vendors may never force anyone to work against his or her will. Specifically, we will not do business with vendors employing prison labor or who use corporal punishment or other forms of mental and physical coercion as a form of discipline. In addition, regardless of the labor laws, we prohibit the use of child labor (workers under 16 years of age). Any vendor who violates this policy is subject to immediate terminations.

By signing a copy of this letter, you hereby confirm that you now and will hereafter comply with all the requirements set forth in this letter.

Very truly yours,

Salant Corporation

Agreed to:

____
Name of Vendor

____
By:

____
Date:

Sara Lee Knit Products
International Operating Principles

Position Statement

The policies that govern our business are based not only on laws and regulations, but also on dignity and respect for the individual, common sense, fairness, and good business practices principles and Sara Lee Knit Products (SLKP) operating philosophies. The policies that have traditionally applied to our domestic operations have been, for the most part, applied to our international operations as they have been developed. The only exceptions have been in countries where local laws, regulations, customs or culture have dictated modifications and departures from our domestic practices.

The fundamental principles of our domestic policies, to the greatest extent possible, extend to our international locations. Our workforce has become more diverse and our operations now extend to many countries and regions. In addition to our own international operations, we also buy materials and finished products from international suppliers. The principles that apply to our own operations, also apply, to the greatest extent possible, to our business relationships with suppliers.

While there is a continued need for development and revision of formal policies, it is desirable that we restate the principles under which we have operated in the past and which will continue to apply to our international operations.

Laws and Regulations

SLKP is committed to adherence to laws, practices and regulations which apply to the areas where we conduct business. SLKP will conduct a thorough due diligence of all potential sourcing joint venture parties and will not enter into business agreements, sourcing agreements or joint ventures where parties to such agreements are in conflict with, or in violation of, local laws or regulations.

Ethical Practice

SLKP believes in conducting all of its business activities with honesty, fair dealing and in conformance with high ethical standards wherever it operates. The company will not make or condone illegal payments or other facilitating payments, nor will it involve itself in activities or practices of questionable ethical standards.

Environment

SLKP is strongly committed to the strict adherence to all environmental rules, regulations and standards that are imposed by local, state and national government authorities. In countries where standards differ from those in force in the United States, SLKP will observe environmentally sound practices.

Wages and Benefits

SLKP prides itself on providing employees with competitive wages and benefits. Regardless of location, SLKP offers wages which are competitive and which are at or above wages paid by others within our industry in the area. SLKP believes that an important way to motivate and retain good employees is to pay them at competitive levels without causing undue disruptions of local, regional or national economics.

Working Conditions

SLKP believes in providing employees with superior working environments which are designed, built and equipped to the same high standards everywhere we operate.

Hours worked each day, and days worked each week shall not exceed legal limitations or requirements within each of the countries where we operate.

The company believes that employees are entitled to work in a drug-free environment and is actively implementing an extensive substance abuse policy in accordance with applicable laws to include educational programs, safety sensitive, accident, applicant testing and rehabilitation programs in all places where we operate.

Employee Communications*

SLKP operates on the principle that an informed employee is a better employee. The company actively encourages two-way communications between employees and supervisors and supplements such communications with timely publications, bulletin board notices, employee meetings and video communications.

Workplace Safety

SLKP is committed to providing a safe working environment. Unsafe practices will not be tolerated and employees will be trained in safe practices. Safety rules related to the wearing of safety equipment or devices will be strictly enforced.

Open Door Policy

SLKP believes that employees have a right to present complaints, problems, grievances and comments to receive satisfactory responses. If employees are not satisfied with responses at the first level of supervision, they are entitled and encouraged to present their issue to higher levels of the organization.

Labor Unions

SLKP believes in a union-free environment, except where laws and cultures require us to do otherwise. The company treats people with equity and fairness, and believes that employees themselves are best able to voice their concerns directly to management. SLKP is committed to the strict observance of laws and regulations related to union activity and encourages individual freedom and direct dealing between employees and management while actively discouraging union representation of employees where the law allows.

Equal Opportunity and Employee Training and Development

SLKP is an equal opportunity employer. The company actively seeks and promotes diversity within its workforce and strictly prohibits discrimination with regard to race, color, national origin, religion, sex, age or disability.

The company respects employees and believes in the fundamental dignity and worth of the individual. SLKP offers its employees company-paid or subsidized work-related training, which enables employees to improve job skills and to qualify for positions of greater responsibility.

While the legal definition of children sometimes varies from country to country, SLKP will not employ individuals who are under 16 years of age.

Employee Recognition, Empowerment and Treatment

SLKP believes that employees should be recognized and rewarded for good performance, and actively encourages the adoption of suitable programs for this purpose.

SLKP is committed to employee empowerment in the belief that employees have good ideas and should be given the opportunity to voice those ideas and to implement better and more productive procedures and methods. SLKP believes that empowerment directly and significantly contributes to the company's goal of achieving lowest-cost, highest-quality producer status and that this, in turn, enables the company to effectively compete in world markets.

Community Relations

SLKP believes in being a good corporate citizen in every community, locality and country where we operate. All of the company's operating facilities are actively encouraged to become involved in the life of their communities by participating in and sponsoring activities that result in community betterment. Involvement has taken many forms. Some plants have adopted schools; some have promoted drug education programs; others have adopted orphanages; while still others have helped establish child-care centers and community child-care homes.

In some less developed areas, plants have helped establish parks, recreational facilities, health care facilities, drug abuse programs and have contributed to the building of housing and infrastructure. Individual employees are encouraged to become involved in service organizations, school board, chambers of commerce, industrial park associations and local government.

Corporate Contributions

In every community where it operates, SLKP actively seeks out opportunities to contribute money and materials to worthwhile causes. SLKP wants to make the community a better place for its employees to live and work. SLKP is particularly interested in programs that benefit youth, drug education and abuse programs, health, welfare, education, family, culture and art.

The above is a summary of key operating principles for our international operations. For additional detail on covered items, please refer to more detailed international policies, procedures and human resources plans.

Sears, Roebuck and Co.
Import Buying Policy and Procedures

It is the policy of Sears, Roebuck and Co. ("Sears"), when purchasing merchandise not produced in the United States, to contract only with reputable suppliers of merchandise, the production facilities, business and labor practices, and merchandise of which comply with all applicable local and United States laws. Strict adherence is expected to local laws governing the working conditions, wages and minimum age of the workforce, and to all applicable United States laws and prohibitions.

Willful violation of this policy will result in the termination of the offending supplier.

In furtherance of this policy, Sears will:

1. Distribute a copy of this policy to all Sears domestic and overseas buying staff members and to all existing and prospective foreign suppliers,

2. Include contractual provisions reflecting this policy in all international buying agreements,

3. Instruct its foreign buying office personnel to visit periodically suppliers' facilities to monitor compliance with this policy, and

4. Report, under justifiable circumstances, violations by suppliers of foreign and/or United States law to appropriate law enforcement authorities.

April 23, 1993

Spiegel Standards for Business Partnerships

Spiegel is a leading direct marketer of fashionable apparel and home furnishings. As part of the Spiegel Group, we are committed to providing customers with the highest quality and value in our products. We believe this commitment is best met through strong relationships with our associates and by only selecting business partners who share our ethics and agree to our standards of business conduct.

LEGAL REQUIREMENTS

Our business partners must comply with all applicable legal standards and requirements of the country in which they are doing business, as well as those of the United States.

PRODUCT QUALITY

Our business partners must share our commitment to product quality and to maintaining the operating practices necessary to meet our quality standards.

ENVIRONMENTAL STANDARDS

Our business partners must adhere to their national laws regarding the protection and preservation of the environment.

EMPLOYMENT PRACTICES

Our business partners must not utilize child labor as defined by the United Nations standards or by national standards, whichever are higher. They must not utilize forced labor, including prison or other compulsory labor.

WORKING CONDITIONS

Our business partners must share our commitment to providing a safe and healthy workplace and to treating employees fairly and in compliance with local laws. While we recognize that cultural differences exist and standards may vary by country, we expect our partners to adhere to the following:

- Health, safety and other workplace standards must meet all local laws and safety regulations.
- Worker housing, where provided, must meet the same standards for health and safety as the workplace.
- Employees must be compensated fairly for all hours worked and at rates that meet local industry standards.
- Employees must not be discriminated against because of personal characteristics or beliefs.

Compliance with these standards is a condition for becoming and remaining a business partner of Spiegel and will be agreed to in writing as a term of engagement. Spiegel will take appropriate action, including termination of our relationship, with any business partner in violation of our standards.

To facilitate effective monitoring and enforcement, our business partners are expected to provide full access to their production facilities and to relevant records relating to employment practices. We will undertake affirmative measures, such as on-site inspection of facilities, to implement and monitor these standards.

Stage Stores, Inc. Policy (Subscribes to policy of the Association Merchandising Corporation, AMC)

Terms of Engagement for AMC Business Partners:

The Associated Merchandising Corporation is strongly committed to maintaining its reputation as one of the leading global sourcing and product development companies. Our long history over the past 8 years reflects a high level of integrity and consistent ethical values - both from AMC employees and AMC suppliers.

As we expand our sourcing base to more diverse countries and cultures, it is important that we select business partners and countries whose practices are not incompatible with AMC values.

AMC's concerns include the practices of our individual business partners, as well as the social and political issues in any country where we might consider sourcing.

We have defined business partners as vendors, manufacturers, contractors, subcontractors, and other suppliers who provide labor and or material including fabric, sundries, chemicals and trim utilized in the manufacture and finishing of products that are ordered by or through us.

1. Environmental Requirements

AMC will only do business with partners who share our commitment to protect and preserve the environment. This specifically includes compliance with local government laws and international standards, the U.S. regulations prohibiting the use of ozone depleting chemicals (hydrochlorofluorocarbons) and the International Trade in Endangered Species of Wild Fauna and Flora, as listed in the United States Endangered Species Act of 1973 (and rules and regulations thereunder). In addition, any modifications to these laws, rules, regulations and standards must be adhered to.

2. Ethical Standards

AMC will seek to identify and work with business partners who aspire as individuals and in the conduct of their business to a set of ethical standards which are compatible with our own.

3. Health & Safety

AMC will only utilize business partners who provide their workers with a safe and healthy work environment. Business partners who provide residential facilities for their workers must provide safe and healthy facilities.

4. Legal Requirements

AMC expects our business partners to be law abiding as individuals and to comply with all legal requirements relevant to the conduct of their business. This includes compliance with these Terms of Engagement and the terms and conditions of purchase orders issued by or through AMC, and requires special attention to U.S. country of origin regulations which govern quota classification and the marking of merchandise.

5. Employment Practices

AMC will only do business with partners whose workers are treated fairly and who in all cases are present voluntarily, not put at risk of physical harm, fairly compensated, and allowed the right of free association and not exploited in any way.

In addition, AMC business partners must adhere to the following:

- **Wages and Benefits:**

  AMC's business partners must provide wages and benefits that comply with any applicable law or match the prevailing local manufacturing or finishing industry practices. AMC also favors businesses that share our commitment to contribute to the betterment of community conditions.

- **Child Labor:**

  Use of child labor is not permissible. "Child" is defined as a person who is within (or younger than) the local age for completing compulsory education and in no event less than 14 years of age. We will not knowingly utilize partners who use or permit the use by our partners of child labor in any of their facilities. We support the development of legitimate, workplace apprenticeship programs for the educational benefit of younger people as long as the individual is not being exploited or put at risk with regard to health and safety.

- **Prison Labor/Forced Labor:**

  AMC will not knowingly utilize business partners who use, or permit the use of prison or forced labor in the manufacture or finishing of products ordered by or through AMC. Nor will AMC knowingly purchase materials from a business partner utilizing prison or forced labor. "Forced Labor" is defined as all work or service which is extracted from any person under the threat of penalty for its nonperformance and for which the worker does not offer himself voluntarily. Use of forced labor is not permissible.

- **Discrimination:**

  While AMC recognizes and respects cultural differences, we believe that workers should be employed on the basis of their ability to do the job, rather than on a basis of gender, racial characteristics or cultural or religious beliefs.

- **Disciplinary Practices:**

  AMC will not knowingly utilize business partners who use, or permit the use by our partners, of corporal punishment or other forms of mental or physical coercion.

6. Documentation and Inspection

AMC intends to monitor compliance with our Terms of Engagement and to conduct on-site inspection of facilities. AMC will review and may terminate its relationship with any partner found to be in violation with the Terms of Engagement in addition to exercising any other rights and remedies to which AMC may be entitled under purchase orders issued by or through it, by law or otherwise.

Talbots Vendor Agreement

We at Talbots are proud of our tradition of conducting our business in accordance with the highest ethical standards and in compliance with the laws of the United States and other countries in which we do business. Our commitment extends to assuring that merchandise manufactured for us by independent vendors such as yourself is produced in a manner that is consistent with our standards (1) with special emphasis on the wage and hour laws of the country of manufacture; and (2) without the use of child (under the age of 15), prison or slave labor, even where such labor is permitted by the laws of the country of manufacture.

Because of the significance of these issues, we are taking this opportunity to (1) remind you and all of our manufacturers of our corporate policy that we will not do business with any manufacturer that knowingly violates the labor laws of the country in which it operates or permits its contract facilities to do so; and (2) announce strengthened measures we are adopting to help us make certain that the merchandise we receive from you complies with applicable law and our standards. Please note that our requirements also involve (1) a prohibition on the use of factories (whether operated by you or other designated contract facilities) without the prior inspection and written approval of a Talbots employee or authorized agent; and (2) your adherence to the labelling laws of the United States. Accordingly, effective with September 15, 1996 onward shipments, we are adopting the following measures:

1. As a precondition to receiving any new orders from Talbots, all manufacturers located outside the United States must have signed and returned to us, a new certification that (a) all merchandise to be manufactured for us (whether by the manufacturer or by the manufacturer's contract sewing shops or other designated contract facilities) will be produced in compliance with the wage and hour laws of the country of manufacture and without the use of child (under the age of 15), prison or slave labor; (b) no factory (whether operated by the manufacturer itself or by the manufacturer's contract sewing shops or other designated contract facilities) shall be used in the production of merchandise for Talbots unless it has been inspected and approved, in writing, by an authorized employee or agent of Talbots; (c) the manufacturer has in effect (or will promptly develop) a program of monitoring its contract sewing shops and other designated contract facilities for compliance with the requirements of clause "(a)" above; and (d) all merchandise shipped to us will comply with all applicable laws, including, without limitation, the labelling laws of the United States pertaining to designation of the country of origin of such merchandise. Although we believe that the details of how the monitoring program referred to above is accomplished are appropriately your responsibility, it is important that you understand our expectation that the program will be meaningful and designed in good faith to assure that your contract sewing shops and other designated contract facilities are in compliance with the law and our standards with respect to child, prison and slave labor. The certification we are requiring and a return envelope are enclosed for your convenience. To assure that there is no interruption in the placement of our orders with you, please return the certification to us by August 1, 1996.

2. Your shipping documents which accompany all merchandise you ship to Talbots must include the following language (either pre-printed or "stamped"):

   "We hereby certify that the merchandise covered by this shipment was produced in compliance with all applicable requirements of the wage and hour laws of the country of manufacture and without the use of child (under the age of 15), prison or slave labor. We further certify that all merchandise covered by this shipment was produced solely in factories that were inspected and approved in writing by your authorized representative and we have in effect a program of monitoring any contract sewing shops and other designated contract facilities which performed work for us in connection with the production of such merchandise for compliance with the requirements set forth above."

   Any merchandise shipped by you beginning September 15, 1996 that is not accompanied by a shipping document bearing the required language will be subject to denied entry and you will be assuming responsibility for said goods.

3. In the future, we will be sending the certification to you for renewal on an annual basis.

   We value the relationship we enjoy with your company and believe that you share our concern about these issues. We want to thank you in advance for your cooperation and we look forward to continuing our relationship with you.

Sincerely,

Executive Vice President
Vice President, Manufacturing
Chief Operating Officer

CERTIFICATION

In consideration of The Talbots, Inc. ("Talbots") placing orders for the production of merchandise with the undersigned in the future, we hereby certify that (1) any merchandise (including components thereof) we produce for Talbots that is manufactured outside the United States will be produced in compliance with the wage and hour laws of the country of manufacture and without the use of child (under the age of 15), prison or slave labor; (2) we currently have in effect or will promptly develop and maintain a program of monitoring any contract sewing shops and other designated contract facilities which perform work for us outside the United States for such compliance; (3) the merchandise we manufacture for Talbots shall be produced solely in factories (whether operated by us, our contract sewing shops or designated contract facilities) that have been inspected and approved in writing by a Talbots authorized employee or agent; and (4) all merchandise we ship to Talbots shall comply with all applicable laws including, without limitation, the labelling laws of the United States pertaining to designation of the country of origin of such merchandise.

We acknowledge that we are an independent contractor for and a separate and independent enterprise from Talbots and not an employee, partner or joint venturer of Talbots for any purpose.

We agree to indemnify and hold Talbots harmless from all losses, injuries or damages, and wages or overtime compensation due to our employees and the employees of our contract facilities in connection with all merchandise produced by us and our subcontractors for Talbots.

[Name of your Company]

Date:
By: (Authorized Signature and Company Chop)
Notary Public Seal
Name of Person Signing in English:
Title or Position:
(Signature must be notarized)

Tultex Corporation Vendor Requirements

1. In placing programs for contract purchases of products or services, Tultex will evaluate potential vendors based on several criteria including:

    - compliance with legal requirements including those of the United States and those of the country of manufacture and exportation
    - history of community support, labor relations, environmental conduct
    - production capabilities, i.e. capacity, facilities, equipment, quality history, delivery history, etc.

2. Vendors must certify that:

    - illegal child or forced labor has not been utilized in any facility where products are produced for Tultex Corporation; and that
    - the country of origin labeling is accurate and in compliance with applicable law in that the country of origin indicated on the label is indeed the country where the products were manufactured

Tultex Corporation requires strict compliance with all contract provisions and obligations, as well as applicable laws and regulations, including those of the U.S. and the country of manufacture. Tultex Corporation will not knowingly allow the shipping or importation of goods manufactured with prison labor, forced labor, or child labor in violation of applicable law. Also, Tultex Corporation will not knowingly allow the shipment or importation of goods which do accurately reflect the country of origin. Tultex Corporation representatives will periodically visit the facilities of any vendor to insure that the vendor is in compliance with the above.

I hereby certify that I have read the above Tultex Vendor Requirements and that ________, whom I represent, agrees to, and is in compliance with the Tultex Corporation Vendor Requirements.

Signed: Date:

Venture Corporate Policy

1. Excerpt from Corporate Policy regarding Import Purchasing:

"Venture will not knowingly purchase merchandise from foreign vendors who utilize child or forced labor."

2. Excerpt from Letter of Credit:

"As manufacturer of Venture Stores, Inc. purchase order number (s): , we hereby certify that the merchandise described in the purchase order(s) noted above was manufactured wholly or in part at (factory name, factory location) . We certify that convict labor and/or indentured labor under penal sanctions as defined by USA law as well as child labor as defined by the laws of the country of origin was not employed in whole or in part in any stage of the production or manufacture of the merchandise or any material or component thereof. We further certify that this transaction does not involve transshipment of merchandise for the purpose of mislabeling, evading quota or country of origin restrictions or avoiding compliance with forced labor (as defined by USA law) or child labor (as defined by the laws of :(country of origin))."

VF Corporation
Contractor Terms of Engagement

July 8, 1996

VF Corporation operates under a Code of Business Conduct which sets forth the key principles under which the Company and its worldwide subsidiaries are required to operate. The Code of Business Conduct states that the conduct of business with employees, customers, consumers, suppliers and all others shall be based on an honest, fair and equitable basis. It has been and will continue to be the Company's policy to obey the laws of each country and to honor our obligations to society by being an economic, intellectual, and social asset to each community and nation in which the Company operates.

While most of the Company's products are manufactured in facilities owned by the Company where compliance with the VF Code of Business Conduct can be directly assured, the global expansion of our business is resulting in our dealing more regularly with third-party contractors, particularly in foreign countries.

The purpose of these CONTRACTOR TERMS OF ENGAGEMENT is to make clear that, taking into account differences in cultures and legal requirements, we expect that wherever our products are manufactured they will be manufactured in a manner compatible with the high standards that have contributed to the outstanding reputation of our brands and our Company.

1. ETHICAL STANDARDS

We expect those with whom we contract for the manufacture of our products ("VF Contractors") to operate within a set of ethical standards compatible with VF's Code of Business Conduct.

2. LEGAL REQUIREMENTS

We expect VF Contractors to comply with the applicable laws and regulations of the localities, states, and countries in which they operate.

3. TREATMENT OF EMPLOYEES

All VF Contractors must fairly compensate their employees, by providing, at a minimum, wages and benefits in compliance with applicable wage and hour laws and regulations. In selecting contractors, we will favor those whose policies and practices place reasonable limits on the number of hours that employees may work on a regularly scheduled basis and who regularly provide reasonable rest periods and days off.

All VF Contractors must provide their employees with a clean, healthful and safe work environment, and, if applicable, safe and healthy residential facilities.

We will not do business with contractors who employ children. For this purpose, the term "child" generally refers to anyone under the age of 14, or under the maximum age for compulsory school attendance if that age is higher than 14, except in the case of legally permissible apprenticeship and similar programs.

We will not knowingly do business with contractors who use prison or other forced labor.

We will not knowingly do business with contractors who permit the use of corporal punishment or other forms of mental or physical intimidation or coercion.

We will favor contractors who provide equal employment opportunities for workers based on their ability rather than on the basis of personal characteristics or religious or other beliefs.

4. INTELLECTUAL PROPERTY RIGHTS

We will not do business with contractors who do not respect our intellectual property rights in our brands.

5. PRODUCT LABELING

All VF Contractors must accurately label our products with their country of origin in compliance with the laws of the United States and those of the country of manufacture.

6. MONITORING

VF and its subsidiaries will undertake affirmative measures, such as on-site inspection of production facilities, to monitor compliance with the above standards. VF Contractors must allow VF representatives full access to the contractor's production facilities and books and records and respond promptly to reasonable inquiries by VF representatives concerning the operations of the contractor's facilities.

7. AGENTS AND SUBCONTRACTORS

We expect the standards set forth above to be observed by agents we engage to assist in the selection of VF Contractors.

We do not permit subcontracting without our consent. We will not knowingly permit VF Contractors to subcontract our work to subcontractors who would not qualify as VF Contractors under the above criteria.

VF CORPORATION AND ITS DIVISIONS RESERVE THE RIGHT TO CANCEL ALL CURRENT PURCHASE ORDERS WITH ANY CONTRACTOR FOUND TO BE IN VIOLATION OF THE ABOVE STANDARDS

CONTRACTOR CERTIFICATION

I have read and fully understand VF's Contractor Terms of Engagement and certify that we are in compliance with these terms.

Contractor's Name:
Contractor's Representative:
Date:

AMERICAN APPAREL MANUFACTURERS ASSOCIATION
(submitted by VF Corporation)

AAMA Statement of Responsibility

Members of the American Apparel Manufacturers Association (AAMA) are committed to the fair and rational practice of business in the United States and abroad. Basic to this commitment is the fair and equitable treatment of employees in wages, working conditions, and benefits. In no case do we support the use of child labor, prison labor, discrimination based on age, race, national origin, gender, or religion, the violation of legal or moral rights of employees, nor destruction or harm to the environment.

The American Apparel Manufacturers Association (AAMA) has established this Statement of Responsibility as a guideline for all member companies for their own facilities and for the facilities where production is contracted. AAMA represents over 70 percent of all domestic apparel production in the United States. Members companies manufacture all types of apparel and we are located in virtually every state in the United States.

Wal-Mart Stores, Inc.
Standards for Vendor Partners

Wal-Mart Stores, Inc. ("Wal-Mart") has enjoyed success by adhering to three basic principles since its founding in 1962. The **first principle** is the concept of providing value and service to our customers by offering quality merchandise at low prices every day. Wal-Mart has built the relationship with its customers on this basis, and we believe it is a fundamental reason for the Company's rapid growth and success. The **second principle** is corporate dedication to a partnership between the Company's associates (employees), ownership and management. This concept is extended to Wal-Mart's Vendor Partners who have increased their business as Wal-Mart has grown. The **third principle** is a commitment by Wal-Mart to the United States and the communities in which stores and distribution centers are located.

Wal-Mart strives to conduct its business in a manner that reflects these three basic principles and the resultant fundamental values. Each of our Vendor Partners, including our Vendor Partners outside the United States, are expected to conform to those principles and values and to assure compliance in all contracting, subcontracting or other relationships.

Since Wal-Mart believes that the conduct of its Vendor Partners can be transferred to Wal-Mart and affect its reputation, Wal-Mart requires that its Vendor Partners conform to standards of business practices which are consistent with the three principles described above. More specifically, Wal-Mart requires conformity from its Vendor Partners with the following standards, and hereby reserves the right to make periodic, unannounced inspections of Vendor Partner's facilities to satisfy itself of Vendor Partner's compliance with these standards:

1. COMPLIANCE WITH APPLICABLE LAWS

All Vendor Partners shall comply with the legal requirements and standards of their industry under the national laws of the countries in which the Vendor Partners are doing business. Should the legal requirements and standards of the industry conflict, Vendor Partners must, at a minimum, be in compliance with the legal requirements of the country in which the products are manufactured. If, however, the industry standards exceed the country's legal requirements, Wal-Mart will favor Vendor Partners who meet such industry standards. Vendor Partners shall comply with all import requirements of the U.S. Customs Service and all U.S. Government agencies. Necessary invoices and required documentation must be provided in compliance with U.S. law. Vendor Partners shall warrant to Wal-Mart that no merchandise sold to Wal-Mart infringes the patents, trademarks or copyrights of others and shall provide to Wal-Mart all necessary licenses for selling merchandise sold to Wal-Mart which is under license from a third party to protect intellectual property rights in the United States or elsewhere. All merchandise shall be accurately marked or labeled with its country of origin in compliance with the laws of the United States and those of the country of manufacture. All shipments of merchandise will be accompanied by the requisite documentation issued by the proper governmental authorities, including but not limited to Form A's, import licenses, quota allocations and visas and shall comply with orderly marketing agreements, voluntary restraint agreements and other such agreements in accordance with U.S. law. The commercial invoice shall, in English, accurately describe all the merchandise contained in the shipment, identify the country of origin of each article contained in the shipment, and shall list all payments, whether direct or indirect, to be made for the merchandise, including, but not limited to any assists, selling commissions or royalty payments. Backup documentation, and any Wal-Mart required changes to any documentation, will be provided by Vendor Partners promptly.

EMPLOYMENT

Wal-Mart is a success because its associates are considered partners and a strong level of teamwork has developed within the Company. Wal-Mart expects the spirit of its commitment to be reflected by its Vendor Partners with respect to their employees. At a minimum, Wal-Mart expects its Vendor Partners to meet the following terms and conditions of employment:

Compensation

Vendor Partners shall fairly compensate their employees by providing wages and benefits which are in compliance with the national laws of the countries in which the Vendor Partners are doing business and which are consistent with the prevailing local standards in the countries in which the Vendor Partners are doing business, if the prevailing local standards are higher.

Hours of Labor

Vendor Partners shall maintain reasonable employee work hours in compliance with local standards and applicable national laws of the countries in which the Vendor Partners are doing business. Employees shall not work more hours in one week than allowable under applicable law, and shall be compensated as appropriate for overtime work. We favor Vendor Partners who utilize less than sixty-hour work weeks, and we will not use suppliers who, on a regularly scheduled basis, require employees to work in excess of a sixty-hour week. Employees should be permitted reasonable days off (which we define as meaning at least one day off for every seven-day period — in other words, the employee would work six days and have at least one day off during a seven day period) and leave privileges.

Forced Labor/Prison Labor

Vendor Partners shall maintain employment on a voluntary basis. Forced or prison labor will not be tolerated by Wal-Mart. Wal-Mart will not accept products from Vendor Partners who utilize in any manner forced labor or prison labor in the manufacture or in their contracting, subcontracting or other relationships for the manufacture of their products.

Child Labor

Wal-Mart will not tolerate the use of child labor in the manufacture of products it sells. We will not accept products from Vendor Partners that utilize in any manner child labor in their contracting, subcontracting or other relationships for the manufacture of their products. For a definition of "Child", we will look first to the national laws of the country in which the Vendor Partner is doing business. If, however, the laws of that country do not provide such a definition or if the definition includes individuals below the age of 15, Wal-Mart will define "Child", for purposes of determining use of illegal child labor, as any one who is:

a. less than 15 years of age; or
b. younger than the compulsory age to be in school in the country in which the Vendor Partner is doing business, if that age is higher than 15.

Wal-Mart supports legitimate workplace apprenticeship education programs for younger persons.

Discrimination/Human Rights

Wal-Mart recognizes that cultural differences exist and different standards apply in various countries, however, we believe that all terms and conditions of employment should be based on an individual's ability to do the job, not on the basis of personal characteristics or beliefs. Wal-Mart expects its Vendor Partners to have a social and political commitment to basic principles of human rights and to not discriminate against their employees in hiring practices or any other terms or conditions of work, on the basis of race, color, national origin, gender, religion, disability, sexual orientation or political opinion.

3. WORKPLACE ENVIRONMENT

Wal-Mart maintains a safe, clean, healthy and productive environment for its associates and expects the same from its Vendor Partners. Vendor Partners shall furnish employees with safe and healthy working conditions. Factories working on Wal-Mart merchandise shall provide adequate medical facilities, fire exits and safety equipment, well fit and comfortable workstations, clean restrooms, and adequate living quarters where necessary. Wal-Mart will not do business with any Vendor Partner which provides an unhealthy or hazardous work environment or which utilizes mental or physical disciplinary practices.

4. CONCERN FOR THE ENVIRONMENT

We believe it is our role to be a leader in protecting our environment. We encourage our customers and associates to always Reduce, Reuse, and Recycle. We also encourage our Vendor Partners to reduce excess packaging and to use recycled and non-toxic materials whenever possible. We will favor Vendor Partners who share our commitment to the environment.

5. BUY AMERICAN COMMITMENT

Wal-Mart has a strong commitment to buy as much merchandise made in the United States as feasible. Vendor Partners are encouraged to buy as many materials and components from United States sources as possible and communicate this information to Wal-Mart. Further, Vendor Partners are encouraged to establish U.S. manufacturing operations.

6. REGULAR INSPECTION AND CERTIFICATION BY VENDOR PARTNER

Vendor Partner shall designate, on a copy of the Wal-Mart Vendor Partner Inspection and Certification Form, one or more of its officers to inspect each of its facilities which produces merchandise sold to Wal-Mart. Such inspections shall be done on at least a quarterly basis to insure compliance with the standards, terms and conditions set forth herein. The Vendor Partner Officer designated to perform such inspections shall certify to Wal-Mart following each inspection that he or she performed such inspection and that the results reflected on such compliance inspection form are true and correct.

7. RIGHT OF INSPECTION

To further assure proper implementation of and compliance with the standards set forth in this Memorandum of Understanding, Wal-Mart or a third party designated by Wal-Mart will undertake affirmative measures, such as on-site inspection of production facilities, to implement and monitor said standards. Any Vendor Partner which fails or refuses to comply with these standards is subject to immediate cancellation by Wal-Mart of all its outstanding orders with that Vendor Partner as well as refusal by Wal-Mart to continue to do business in any manner with that Vendor Partner.

As an officer of ______________________, a Vendor Partner of Wal-Mart, I have read the principles and terms described in this document and understand my company's business relationship with Wal-Mart is based upon said company being in full compliance with these principles and terms. I further understand that failure by a Vendor Partner to abide by any of the terms and conditions stated herein may result in the immediate cancellation by Wal-Mart of all outstanding orders with that Vendor Partner and refusal by Wal-Mart to continue to do business in any manner with said Vendor Partner. I am signing this statement, as a corporate representative of ____________________, to acknowledge, accept and agree to abide by the standards, terms and conditions set forth in this Memorandum of Understanding between my company and Wal-Mart. I hereby affirm that all actions, legal and corporate, to make this Agreement binding and enforceable against __________________ have been completed.

VENDOR PARTNER COMPANY NAME
ADDRESS, TELEPHONE AND FAX NUMBER

Representative Name:
Title:
Date:

WARNACO
Business Partner Terms of Engagement and Guidelines for Country Selection

Guidelines for Country Selection

1. **BRAND IMAGE**
   We will not initiate or renew contractual relationships in countries where sourcing would have an adverse effect on our global brand image.

2. **HEALTH & SAFETY**
   We will not initiate or renew contractual relationships in locations where there is evidence that company employees or representatives would be exposed to unreasonable risk.

3. **HUMAN RIGHTS**
   We will not initiate or renew contractual relationships in countries where there are pervasive violations of basic human rights.

4. **LEGAL REQUIREMENTS**
   We will not initiate or renew contractual relationships in countries where the legal environment creates unreasonable risk to our trademarks or to other important commercial interest or seriously impedes our ability to implement these guidelines.

5. **POLITICAL OR SOCIAL STABILITY**
   We will not initiate or renew contractual relationships in countries where political or social turmoil unreasonably threatens our commercial interests.

Business Partner Terms of Engagement

Our concerns include the practices of individual business partners as well as the political and social issues in those countries where we might consider sourcing.

We have defined business partners as contractors and suppliers who provide labor and/or material utilized in the manufacture of our products.

1. **ETHICAL STANDARDS**
   We will seek to identify and utilize business partners who aspire as individuals and in the conduct of their business to a set of ethical standards not incompatible with our own.

2. **HEALTH & SAFETY**
   We will only utilize business partners who provide workers with a safe and healthy work environment. Business partners who provide residential facilities for their workers must provide safe and healthy facilities.

3. **LEGAL REQUIREMENTS**

We expect our business partners to be law abiding as individuals and to comply with all legal requirements relevant to the conduct of their business.

4. **EMPLOYMENT PRACTICES**

We will only do business with partners whose workers are in all cases present voluntarily, not put at risk of physical harm, fairly compensated, allowed the right of free association and not exploited in anyway. In addition, the following specific guidelines will be followed.

- **Wages and Benefits**

  We will only do business with partners who provide wages and benefits that comply with any applicable law or match the prevailing manufacturing industry practices. We will also favor business partners who share our commitment to contribute to the betterment of community conditions.

- **Working Hours**

  While permitting flexibility in scheduling, we will identify prevailing local work hours and seek business partners who do not exceed them except for appropriately compensated overtime. We favor partners who utilize no more than forty-eight-hour regularly scheduled work weeks. We will not use contractors who, on a regularly scheduled basis, require in excess of forty-eight-hour work weeks. Employees should be allowed one day off in seven days.

- **Child Labor**

  Use of child labor is not permissible. "Child" is defined as less than 16 years of age or younger than the compulsory age to be in school. We will not utilize partners who use child labor in any of their facilities. We support the development of legitimate workplace apprenticeship programs for the educational benefits of younger people.

- **Prison Labor/Forced Labor**

  We will not knowingly utilize prison or forced labor in contracting or subcontracting relationships in the manufacture of our products. We will not knowingly utilize or purchase materials from a business partner utilizing prison or forced labor.

- **Discrimination**

  While we recognize and respect cultural differences, we believe that workers should be employed on the basis of their ability to do the job, rather than on the basis of personal characteristics or beliefs. We will favor business partners who share in this value.

- **Disciplinary Practices**

  We will not utilize business partners who use corporal punishment or other forms of mental or physical coercion.

5. ENVIRONMENTAL REQUIREMENTS

We will only do business with partners who share our commitment to the environment.

Woolworth Corporation Contractor Certificate

BUYING AGENCY:

BUYING AGENT'S NAME:

I have inspected (Factory Name) (Address) (Country) during the production of and after the completion of the Merchandise described below.

I attest that the factory has the production capabilities to produce this merchandise and that during my inspection of the facility I observed the merchandise actually being produced at this facility.

Furthermore, based upon my observations and personal knowledge of the factory operation, none of the merchandise governed by this Certificate was produced, manufactured, or distributed with convict, child, indentured, or forced labor in part or whole.

The following listed merchandise has been inspected by the undersigned and is of the same quality and specification as the confirmation sample approved by the Buyer. All cartons and shoes are properly marked with the Country of Origin.

Customer Order No.
Customer SKU
Description
Quantity
Carton Numbers
U.S. $ Amount
Date of Inspection
Place of Inspection
Carton #'s Inspected

It is understood that the final inspection is at the discretion of the Kinney Service corporation and this signed Certificate in no way relieves the Buying Agent of responsibility should any claim arise concerning this shipment.

This certification has been given voluntarily and willingly on behalf of the (Buyer's Representative's Firm) and shall become a part of the official documents issued for export purposes.

(Authorized Signature) (Title)

Appendix D: Site Visits

U.S. Department of Labor Country Visits

1. Dominican Republic	Marcia M. Eugenio, International Program Specialist Office of International Economic Affairs
2. El Salvador	Ana Maria Valdes, International Economist Office of International Economic Affairs
	Daniel Solomon, Agency Liaison Officer Office of the Executive Secretariat
3. Guatemala	Maria Elena Gonzalez, Deputy Secretary U.S. National Administrative Office
4. Honduras	Robert D. Wholey, Area Advisor for Latin America and the Caribbean, Office of Foreign Relations
5. India	Sudha K. Haley, Area Advisor for South Asia, Near East and North Africa, Office of Foreign Relations
	Gregory K. Schoepfle Director, Division of Foreign Economic Research, Office of International Economic Affairs
6. Philippines	Kelly W. Bryant II, International Economist Office of International Economic Affairs
	James W. Shea, Regulatory Program Specialist U.S. National Administrative Office

DOMINICAN REPUBLIC
SITE VISITS

List of Contacts

GOVERNMENT

Dr. Rafael Alburquerque
Secretary of Labor
Ministry of Labor

INDUSTRY

Associations:

Mr. Eddy Martínez M.
Executive Director
Dominican Association of Free Trade Zones
(ADOZONA)

Mr. Arthur E. Valdéz
Executive Vice President
American Chamber of Commerce
of the Dominican Republic

Mrs. Jeannette Domínguez
Executive Director
Free Trade Zones Association - Santiago

Mr. Angel Ma. Castillo
President
Free Trade Zones Association - San Pedro de Macoris

Lic. Alexis Rosanna Del Guidice
Executive Director
Free Trade Zones Association - San Pedro de Macoris

Plant Visits:

Zona Franca Los Alcarrizos:

Lic. Julio César Pineda
Vice-President
High Quality Products, S.A.

Zona Franca Villa Mella:

Mr. Peter Weinerth
President
BRATEX Dominicana

Mr. W.B. Morey
Vice President, Operations
BRATEX Dominicana

Mr. Jaime L. Pontón
Director, Human Resources
BRATEX Dominicana

Zona Franca Las Américas:

Mr. Roberto R. Rodríguez
Director, Manufacturing Operations
Hanes Caribe, Inc.

Mr. Victor Polanco
Plant Manager
Hanes Caribe, Inc.

Ms. Marisela Lithgow
Country Manager, Human Resources
Hanes Caribe, Inc.

Ms. Margarita Ortiz
Human Resources Manager
Hanes Caribe, Inc.

Mrs. Nelly Rubio
Human Resources Director,
Puerto Rico and Dominican Republic
Hanes Caribe, Inc.

Zona Franca Santiago:

Mr. Fernando A. Capellán
President
Grupo M

Mrs. Mercedes C. de Lama
Administrative Manager
Grupo M

Mr. Emigdio Garrido
Plant Manager
Tejidos Flex Corporation

Mrs. Ana María González
Human Resources Manager
Tejidos Flex Corporation

Mr. Oscar Mercado
Plant Manager
Interamericana Products, S.A.

Mrs. Kirsis Lora de Jaquez
Manager, Personnel Department
Interamericana Products, S.A.

Mr. José Clase
President
D'Clase Corporation

Ing. Elpidio Infante
General Manager
D'Clase Corporation

Zona Franca La Vega:

Ing. Jose Fco. Coronado Nivar
General Manager
Polanco Fashion International, S.A.

Mr. Francisco Polanco
Manager, Human Resources
RK Fashion, S.A.

Ing. José Manuel Jiménez A.
Plant Engineer
RK Fashion, S.A.

Zona Franca San Pedro de Macoris:

Mr. Antonio Centeno
General Manager
Vice President
Manufactura Borinqueña

Mr. Wilmer Ruiz
General Manager
Undergarment Fashions, Inc.

Mr. Claudio Ramos
General Manager
Toscana Corporation
Pons, San Pedro, Inc.

Mr. José Orlando Pimentel
Financial Manager
Toscana Corporation
Pons, San Pedro, Inc.

Ing. Fellito Luna
General Manager
Denisse Fashions, Inc.

Zona Franca Bonao:

Mr. Ariel Park
Administrator
Bi Bong Apparel

Mr. Sung Yoon Wi (Jose)
General Manager
Woo Chang Dominican Ind. Co. Ltd.

Mr. Chunciob Lim
Administrator
Bonahan Apparel
Hingshing Textile

LABOR

Mrs. Selma Padrón-Solera
Country Program Director
American Institute for Free Labor
Development (AIFLD)

Ms. Fiol D'Aliza Feliz
National Farmers' Union
(UNAC- Union Nacional Campesina)

Mr. Jacobo Ramos Crispín
General Secretary
National Federation of Free Trade
Zones Workers (FENATRAZONA)

Other Local FENATRAZONA Representatives:
Mr. Alfredo Mieses, Ms. Damas Aventura,
Mr. Elias Puente, and Mr. Ignacio Hernández

Dr. Maribel Batista Matos
Legal Consultant
FENATRAZONA and CNTD

Mr. Agustín Vargas Saillant
Secretary, International Relations
Unitary Confederation of Workers
(CTU - Conferacion de Trabajadores Unitaria)

Ms. Rosario Alvarez Leger
Secretary, Women Issues
Unitary Confederation of Workers
(CTU - Conferación de Trabajadores Unitaria)

NGOs

Mrs. Magaly Pineda
Director
Research Center for Feminist Action
(CIPAF- Centro de Investigación para la Acción Femenina)

Ms. Estel Hernández
Research Center for Feminist Action
(CIPAF- Centro de Investigación para la Acción Femenina)

Ms. Arajena Martínez
Children Coordinator
UNICEF, Santo Domingo

Ms. Veronica Guerrero
Program Coordinator- Dominican Republic
OXFAM- United Kingdom

EL SALVADOR
SITE VISITS

List of Contacts

GOVERNMENT

Dr. José Eduardo Tomasimo Hurtado
Secretary of Labor
Ministry of Labor

Dr. Guillermo A. Palma D.
Director General of Inspection
Ministry of Labor

Dr. Víctor Orellana M.
Director General of Labor
Ministry of Labor

Lic. Rolando Mercado L.
Juridical Assessor
Ministry of Labor

Lic. María Teresa de Mejía
Executive Director
Institute of Minors

Dra. Ruth Anabella Henríquez Chávez
Adjunct Human Rights Ombudsman
for the Defense of Children

Lic. Antonio Aguilar Martínez
Chief of the Department of Economic
and Social Rights
of the Human Rights Ombudsman

Lic. Alfredo Roberto Morán
General Public Defender for Labor of
the Office of the Attorney General

Lic. Carmen Barrera de Soriano
General Public Defender for Minors of
the Office of Attorney General

Dr. Norman Quijano
Commission Secretary
National Republican Alliance (ARENA)

Mr. Oscar Ortiz A.
Commission Member
Farabundo Martí National
Liberation Front (FMLN)

Mr. Eugenio Chcas M.
Commission President
Farabundo Martí National
Liberation Front (FMLN)

INDUSTRY

Plant Visits (Free Zones):

Martin Norman
General Manager
American Park Free Zone

Jim Woo Choi
Industrial Caribbean Apparel
(Incasa de C.V.)
America Park Free Zone

Ana María de Rivas
Project Manager
Export Salva Free Zone

Salvador Llort B.
Apparel Group Manager
HILASAL
Export Salva Free Zone

Ing. Luis Carlos Gómez Valle
General Manager
Textiles Lourdes Limitadas
(Fruit of the Loom)
Export Salva Free Zone

David Wong
President
Mandarin International, S.A.
San Marcos Free Zone

Cecilia Castillo Maida
Merchandiser
Mandarin International, S.A.
San Marcos Free Zone

Wilda de Ponce
General Manager
Mandarin International, S.A.
San Marcos Free Zone

Martin Jung
General Manager
Lindotex, S.A.
San Marcos Free Zone

Antonio Aguilar
Personnel Manager
Lindotex, S.A.
San Marcos Free Zone

Lic. Teffy Escobar de Serrano
Financial Manager
San Marcos Free Zone

Lee Miles
Vice President of Manufacturing
Perry Management Corp., S.A.
(Primo Industries)
San Bartolo Free Zone

Antonio Barraza Guerra
General Manager
C.M.T., S.A.
San Bartolo Free Zone

Francisco Escobar
C.M.T., S.A.
San Bartolo Free Zone

Lic. William E. Sandoval
Plant Manager
Confecciones El Pedregal, S.A.
El Pedregal Free Zone

Associations:

Francisco Escobar
President
Associación Salvadoreña de la Industria de la Confección (ASIC)
(Salvadorean Association of the Garment Industry)

Lic. Samuel A. Cerna Trabanino
(ASIC Member)
General Manager
Provoçaciones, S.A.
San Salvador, El Salvador

Ing. José Antonio García (ASIC Member)
General Manager
RAMADA, S.A.
Calle Industrial de San Marcos
San Salvador, El Salvador

Liz de Rodezno
Executive Director
ASIC
San Salvador, El Salvador

Luis Arturo Anleu
ASIC
San Salvador, El Salvador

Lic. María Gracia Torres
General Manager
T & T System, S.A.
Paseo General Escalón
El Salvador

Mr. Brian J. McCall
General Manager
Sare Lee Intimates
La Paz, El Salvador

Mr. Ivan S. Seassal
President
AMERITEX
La Paz, El Salvador

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Marssol International

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Fashion Mart of Honduras

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WARNACO

Zona Libre Choloma

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Mr. Heo
Export/Import
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Galaxy Industrial Park

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Cosmo Co. and Fénix Co.

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Vipat Investments Pvt. Ltd./
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Child workers and street children at evening school
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Appendix E

APPENDIX E

U.S. Apparel Imports, 1985-1995, by Region and Country
(In millions of current U.S. dollars)

COUNTRY	**1985**	**1995**
WORLD	12785	34649
ASIA	9318	20994
Far East	7039	11433
China	742	3518
Hong Kong	2384	4189
Japan	417	55
Korea	1502	1622
Taiwan	1994	2049
South Asia	2279	9561
Bangladesh	126	1067
Brunei	1	35
Burma	2	64
Fiji	0	62
India	260	1098
Indonesia	196	1183
Kampuchea	0	0
Laos	0	9
Macau	169	757
Malaysia	196	675
Micronesia	0	10
Mongolia	0	18
Nepal	41	81
Pakistan	69	550
Palau	0	6
Philippines	441	1540
Singapore	329	424
Sri Lanka	208	928
Thailand	242	1037
Vietnam	0	17

COUNTRY	**1985**	**1995**
THE AMERICAS	1877	9439
Central America and the Caribbean	1130	5432
Antigua	11	0
Barbados	49	4
Belize	29	13
Costa Rica	181	757
Dominica	0	1
Dominican Republic	399	1731
El Salvador	19	582
Guatemala	20	682
Guyana	1	10
Haiti	226	72
Honduras	49	918
Jamaica	94	531
Nicaragua	0	74
Panama	18	30
St. Christopher	12	1
St. Lucia	15	17
St. Vincent	7	3
Trinidad	0	5
South America	224	671
Argentina	2	2
Bolivia	2	10
Brazil	86	113
Chile	2	32
Colombia	72	366
Ecuador	1	10
Paraguay	1	0
Peru	9	125
Uruguay	50	9
Venezuela	0	3

COUNTRY	1985	1995
North America	522	3336
Mexico	448	2566
Canada	74	770
EUROPE	1424	2670
Eastern Europe	174	438
Belarus	0	14
Bulgaria	5	41
Croatia	0	3
Czech Republic	6	14
Estonia	0	3
Hungary	23	52
Lithuania	0	5
Macedonia	0	46
Moldova	0	5
Poland	19	51
Romania	71	56
Russia	0	54
Slovak Republic	0	16
Slovenia	0	12
Ukraine	0	65
Yugoslavia	50	0
Western Europe	1250	2232
Austria	17	15
Belgium	7	8
Cyprus	2	3
Denmark	3	5
Finland	3	2
France	172	155
Germany	64	98
Greece	22	28
Iceland	8	0

COUNTRY	**1985**	**1995**
Ireland	23	16
Italy	534	967
Malta	2	2
Netherlands	5	2
Norway	2	3
Portugal	71	85
Spain	12	16
Sweden	3	7
Switzerland	13	29
Turkey	82	630
United Kingdom	202	162
AUSTRALIA & NEW ZEALAND	11	55
Australia	4	52
New Zealand	7	3
MIDDLE EAST & AFRICA	141	1485
Africa	98	442
Algeria	0	0
Botswana	0	0
Cameroon	1	0
Ethiopia	0	1
Ghana	0	2
Kenya	1	34
Lesotho	0	62
Madagascar	0	7
Malawi	0	1
Maldives	5	12
Mauritius	46	191
Morocco	6	42
Mozambique	0	0
Republic of South Africa	38	57
Swaziland	0	12

COUNTRY	1985	1995
Tanzania	0	3
Togo	0	1
Zimbabwe	0	13
Middle East	43	1042
Bahrain	0	67
Egypt	1	234
Israel	39	306
Jordan	0	15
Kuwait	0	5
Lebanon	1	1
Oman	0	131
Qatar	0	64
Saudi Arabia	0	9
Syria	0	9
Tunisia	2	12
United Arab Emirates	0	190

NOTE: Countries and territories not included accounted for less than $1 million in U.S. imports each year in 1985-1995. Those countries that have zeroes in trade in 1985 and 1995, had trade of over $1 million in intervening years.

Source: U.S. Department of Commerce, Office of Textiles and Apparel, Major Shippers Report

Appendix F - ILO Convention 138

International Labor Organization
C138 Minimum Age Convention, 1973
PREAMBLE

The General Conference of the International Labour Organisation,

Having been convened at Geneva by the Governing Body of the International Labour Office, and having met in its Fifty-eighth Session on 6 June 1973, and

Having decided upon the adoption of certain proposals with regard to minimum age for admission to employment, which is the fourth item on the agenda of the session, and

Noting the terms of the Minimum Age (Industry) Convention, 1919, the Minimum Age (Sea) Convention, 1920, the Minimum Age (Agriculture) Convention, 1921, the Minimum Age (Trimmers and Stokers) Convention, 1921, the Minimum Age (Non-Industrial Employment) Convention, 1932 the Minimum Age (Sea) Convention (Revised), 1936, the Minimum Age (Industry) Convention (Revised), 1937, the Minimum Age (Non-Industrial Employment) Convention (Revised), 1937, the Minimum Age (Fishermen) Convention, 1959, and the Minimum Age (Underground Work) Convention, 1965, and

Considering that the time has come to establish a general instrument on the subject, which would gradually replace the existing ones applicable to limited economic sectors, with a view to achieving the total abolition of child labour, and

Having determined that these proposals shall take the form of an international Convention,

adopts the twenty-sixth day of June of the year one thousand nine hundred and seventy-three, the following convention, which may be cited as the Minimum Age Convention, 1973:

Article 1

Each Member for which this Convention is in force undertakes to pursue a national policy designed to ensure the effective abolition of child labour and to raise progressively the minimum age for admission to employment or work to a level consistent with the fullest physical and mental development of young persons.

Article 2

1. Each Member which ratifies this Convention shall specify, in a declaration appended to its ratification, a minimum age for admission to employment or work within its territory and on means of transport registered in its territory; subject to Articles 4 to 8 of this Convention, no one under that age shall be admitted to employment or work in any occupation.

2. Each Member which has ratified this Convention may subsequently notify the Director-General of the International Labour office, by further declarations, that it specifies a minimum age higher than that previously specified.

3. The minimum age specified in pursuance of paragraph 1 of this Article shall not be less than the age of completion of compulsory schooling and, in any case, shall not be less than 15 years.

4. Notwithstanding the provisions of paragraph 3 of this Article, a Member whose economy and educational facilities are insufficiently developed may, after consultation with the organisations of employers and workers concerned, where such exist, initially specify a minimum age of 14 years.

5. Each Member which has specified a minimum age of 14 years in pursuance of the provisions of the preceding paragraph shall include in its reports on the application of this Convention submitted under article 22 of the constitution of the International Labour Organisation a statement—
   - (a) that its reason for doing so subsists; or
   - (b) that it renounces its right to avail itself of the provisions in question as from a stated date.

Article 3

1. The minimum age for admission to any type of employment or work which by its nature or the circumstances in which it is carried out, is likely to jeopardise the health, safety or morals of young persons shall not be less than 18 years.

2. The types of employment or work to which paragraph 1 of this Article applies shall be determined by national laws or regulations or by the competent authority, after consultation with the organisations of employers and workers concerned, where such exist.

3. Notwithstanding the provisions of paragraph 1 of this Article national laws or regulations or the competent authority may, after consultation with the organisations of employers and workers concerned, where such exist, authorise employment or work as from the age of 16 years on condition that the health, safety and morals of the young persons concerned are fully protected and that the young persons have received adequate specific instruction or vocational training in the relevant branch of activity.

Article 4

1. In so far as necessary, the competent authority, after consultation with the organisations of employers and workers concerned, where such exist, may exclude from the application of this Convention limited categories of employment or work in respect of which special and substantial problems of application arise.

2. Each Member which ratifies this Convention shall list in its first report on the application of the Convention submitted under article 22 of the Constitution of the International Labour Organisation any categories which may have been excluded in pursuance of paragraph 1 of this Article, giving the reasons for such exclusion, and shall state in subsequent reports the position of its law and practice in respect of the categories excluded and the extent to which effect has been given or is proposed to be given to the Convention in respect of such categories.

3. Employment or work covered by Article 3 of this Convention shall not be excluded from the application of the Convention in pursuance of this Article.

Article 5

1. A Member whose economy and administrative facilities are insufficiently developed may, after consultation with the organisations of employers and workers concerned, where such exist initially limit the scope of application of this Convention.

2. Each Member which avails itself of the provisions of paragraph 1 of this Article shall specify, in a declaration appended to its ratification, the branches of economic activity or types of undertakings to which it will apply the provisions of the Convention.

3. The provisions of the Convention shall be applicable as a minimum to the following: mining and quarrying; manufacturing; construction; electricity, gas and water; sanitary services; transport, storage and communication; and plantations and other agricultural undertakings mainly producing for commercial purposes, but excluding family and small-scale holdings producing for local consumption and not regularly employing hired workers.

4. Any Member which has limited the scope of application of this Convention in pursuance of this Article—
   (a) shall indicate in its reports under article 22 of the Constitution of the International Labour Organisation the general position as regards the employment or work of young persons and children in the branches of activity which are excluded from the scope of application of this Convention and any progress which may have been made towards wider application of the provisions of the Convention;

(b) may at any time formally extend the scope of application by a declaration addressed to the Director-General of the International Labour Office.

Article 6

This Convention does not apply to work done by children and young persons in schools for general, vocational or technical education or in other training institutions, or to work done by persons at least 14 years of age in undertakings, where such work is carried out in accordance with conditions prescribed by the competent authority after consultation with the organisations of employers and workers concerned, where such exist, and is an integral part of-(a) a course of education or training for which a school or training institution is primarily responsible; (b) a programme of training mainly or entirely in an undertaking which programme has been approved by the competent authority; or (c) a programme of guidance or orientation designed to facilitate the choice of an occupation or of a line of training.

Article 7

1. National laws or regulations may permit the employment or work of persons 13 to 15 years of age on light work which is—
   - (a) not likely to be harmful to their health or development; and
   - (b) not such as to prejudice their attendance at school, their participation in vocational orientation or training programmes approved by the competent authority or their capacity to benefit from the instruction received.

2. National laws or regulations may also permit the employment or work of persons who are at least 15 years of age but have not yet completed their compulsory schooling on work which meets the requirements set forth in sub-paragraphs (a) and (b) of paragraph 1 of this Article.

3. The competent authority shall determine the activities in which employment or work may be permitted under paragraphs 1 and 2 of this Article and shall prescribe the number of hours during which and the conditions in which such employment or work may be undertaken.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Article, a Member which has availed itself of the provisions of paragraph 4 of Article 2 may, for as long as it continues to do so substitute the ages 12 and 14 for the ages 13 and 15 in paragraph 1 and the age 14 for the age 15 in paragraph 2 of this Article.

Article 8

1. After consultation with the organisations of employers and workers concerned, where such exist, the competent authority may, by permits granted in individual cases, allow exceptions to the prohibition of employment or work provided for in Article 2 of this Convention, for such purposes as participation in artistic performances.

2. Permits so granted shall limit the number of hours during which and prescribe the conditions in which employment or work is allowed.

Article 9

1. All necessary measures, including the provision of appropriate penalties, shall be taken by the competent authority to ensure the effective enforcement of the provisions of this Convention.

2. National laws or regulations or the competent authority shall define the persons responsible for compliance with the provisions giving effect to the Convention.

3. National laws or regulations or the competent authority shall prescribe the registers or other documents which shall be kept and made available by the employer; such registers or documents shall contain the names and ages or dates of birth, duly certified wherever possible, of persons whom he employs or who work for him and who are less than 18 years of age.

Article 10

1. This Convention revises, on the terms set forth in this Article the Minimum Age (Industry) Convention, 1919, the Minimum Age (Sea) Convention, 1920, the Minimum Age (Agriculture) Convention, 1921 the Minimum Age (Trimmers and Stokers) Convention, 1921, the Minimum Age (Non-Industrial Employment) Convention, 1932, the Minimum Age (Sea) Convention (Revised), 1936, the Minimum Age (Industry) Convention (Revised), 1937, the Minimum Age (Non-Industrial Employment) Convention (Revised), 1937, the Minimum Age (Fishermen) Convention, 1959, and the Minimum Age (Underground Work) Convention, 1965. The coming into force of this Convention shall not close the Minimum Age (Sea) Convention (Revised), 1936, the Minimum Age (Industry) Convention (Revised), 1937, the Minimum Age (Non-Industrial Employment) Convention (Revised), 1937, the Minimum Age (Fishermen) Convention, 1959, or the Minimum Age (Underground Work) Convention, 1965, to further ratification.

3. The Minimum Age (Industry) Convention, 1919, the Minimum Age (Sea) Convention, 1920, the Minimum Age (Agriculture) Convention 1921, and the Minimum Age (Trimmers and Stokers) Convention, 1921 shall be closed to further ratification when all the parties thereto have consented to such closing by ratification of this Convention or by a declaration communicated to the Director-General of the International Labour Office.

4. When the obligations of this Convention are accepted—
   (a) by a Member which is a party to the Minimum Age (Industry) Convention (Revised), 1937, and a minimum age of not less than 15 years is specified in pursuance of Article 2 of this Convention this shall ipso jure involve the immediate denunciation of that convention,
   (b) in respect of non-industrial employment as defined in the Minimum Age (Non-Industrial Employment) Convention, 1932, by a Member

which is a party to that Convention, this shall ipso jure involve the immediate denunciation of that Convention,

(c) in respect of non-industrial employment as defined in the Minimum Age (Non-Industrial Employment) Convention (Revised), 1937 by a Member which is a party to that Convention, and a minimum age of not less than 15 years is specified in pursuance of Article 2 of this Convention, this shall ipso jure involve the immediate denunciation of that Convention,

(d) in respect of maritime employment, by a Member which is a party to the Minimum Age (Sea) Convention (Revised), 1936, and a minimum age of not less than 15 years is specified in pursuance of Article 2 of this Convention or the Member specifies that Article 3 of this convention applies to maritime employment, this shall ipso jure involve the immediate denunciation of that Convention,

(e) in respect of employment in maritime fishing, by a Member which is a party to the Minimum Age (Fishermen) Convention, 1959, and a minimum age of not less than 15 years is specified in pursuance of Article 2 of this Convention or the Member specifies that Article 3 of this Convention applies to employment in maritime fishing, this shall ipso jure involve the immediate denunciation of that convention,

(f) by a Member which is a party to the Minimum Age (underground Work) Convention, 1965, and a minimum age of not less than the age specified in pursuance of that Convention is specified in pursuance of Article 2 of this Convention or the Member specifies that such an age applies to employment underground in mines in virtue of Article 3 of this Convention, this shall ipso jure involve the immediate denunciation of that Convention, if and when this Convention shall have come into force.

5. Acceptance of the obligations of this Convention—

(a) shall involve the denunciation of the Minimum Age (Industry) Convention, 1919, in accordance with Article 12 thereof,

(b) in respect of agriculture shall involve the denunciation of the Minimum Age (Agriculture) Convention, 1921, in accordance with Article 9 thereof,

(c) in respect of maritime employment shall involve the denunciation of the Minimum Age (Sea) Convention, 1920, in accordance with Article 10 thereof, and of the Minimum Age (Trimmers and Stokers) Convention, 1921, in accordance with Article 12 thereof, if and when this Convention shall have come into force.

FINAL PROVISIONS

Article 11

The formal ratifications of this Convention shall be communicated to the Director-General of the International Labour office for registration.

Article 12

1. This Convention shall be binding only upon those Members of the International Labour Organisation whose ratifications have been registered with the Director-General.

2. It shall come into force twelve months after the date on which the ratifications of two Members have been registered with the Director-General.

3. Thereafter, this Convention shall come into force for any Member twelve months after the date on which its ratifications has been registered.

Article 13

1. A Member which has ratified this Convention may denounce it after the expiration of ten years from the date on which the Convention first comes into force, by an Act communicated to the Director-General of the International Labour Office for registration. Such denunciation should not take effect until one year after the date on which it is registered.

2. Each Member which has ratified this Convention and which does not, within the year following the expiration of the period of ten years mentioned in the preceding paragraph, exercise the right of denunciation provided for in this Article, will be bound for another period of ten years and, thereafter, may denounce this Convention at the expiration of each period of ten years under the terms provided for in this Article.

Article 14

1. The Director-General of the International Labour office shall notify all Members of the International Labour Organisation of the registration of all ratifications and denunciations communicated to him by the Members of the Organisation.

2. When notifying the Members of the Organisation of the registration of the second ratification communicated to him, the Director-General shall draw the attention of the Members of the Organisation to the date upon which the Convention will come into force.

Article 15

The Director-General of the International Labour Office shall communicate to the Secretary-General of the United Nations for registration in accordance with Article 102 of the Charter of the United Nations full particulars of all ratifications and acts of denunciation registered by him in accordance with the provisions of the preceding Articles.

Article 16

At such times as may consider necessary the Governing Body of the International Labour office shall present to the General Conference a report on the working of this Convention and shall examine the desirability of placing on the agenda of the Conference the question of its revision in whole or in part.

Article 17

1. Should the Conference adopt a new Convention revising this Convention in whole or in part, then, unless the new Convention otherwise provides:

   a) the ratification by a Member of the new revising convention shall ipso jure involve the immediate denunciation of this Convention notwithstanding the provisions of Article 13 above, if and when the new revising Convention shall have come into force;

   b) as from the date when the new revising Convention comes into force this Convention shall cease to be open to ratification by the Members.

2. This Convention shall in any case remain in force in its actual form and content for those Members which have ratified it but have not ratified the revising Convention.

Article 18

The English and French versions of the text of this Convention are equally authoritative.